



# HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2013  
OF THE CONDITION AND AFFAIRS OF THE

## Group Hospitalization and Medical Services, Inc.

NAIC Group Code	0380 (Current)	0380 (Prior)	NAIC Company Code	53007	Employer's ID Number	53-0078070
Organized under the Laws of	District of Columbia			State of Domicile or Port of Entry	DC	
Country of Domicile	United States of America					
Licensed as business type:	HMDI					
Is HMO Federally Qualified?	Yes [ ] No [ ]					
Incorporated/Organized	08/11/1939			Commenced Business	03/15/1934	
Statutory Home Office	840 First Street NE (Street and Number)			Washington , DC, US 20065 (City or Town, State, Country and Zip Code)		
Main Administrative Office	10455 Mill Run Circle (Street and Number)			Owings Mills , MD, US 21117 (City or Town, State, Country and Zip Code)		
				410-581-3000 (Area Code) (Telephone Number)		
Mail Address	10455 Mill Run Circle (Street and Number or P.O. Box)			Owings Mills , MD, US 21117 (City or Town, State, Country and Zip Code)		
Primary Location of Books and Records	10455 Mill Run Circle (Street and Number)			410-998-7011 (Area Code) (Telephone Number)		
	Owings Mills , MD, US 21117 (City or Town, State, Country and Zip Code)					
Internet Website Address	www.carefirst.com					
Statutory Statement Contact	William Vincent Stack (Name)			410-998-7011 (Area Code) (Telephone Number)		
	bill.stack@carefirst.com (E-mail Address)			410-998-6850 (FAX Number)		

### OFFICERS

President and Chief Executive Officer	Chester Emerson Burrell	Corp. Treasurer & VP	Jeanne Ann Kennedy
Corp. Secretary, Exec.VP & Gen. Counsel	Meryl Davis Burgin #		

### OTHER

Gregory Mark Chaney EVP, CFO	Fred Adrian Walton Plumb EVP, SBU - FEP	William Scott Gould # EVP, Medical Affairs
John Joseph Kaelin # EVP, Strategic Business Development	Michael Thomas Avotins SVP, ASU - Large Groups	Michael Bruce Edwards SVP, Networks Mgmt
Gwendolyn Denise Skillern SVP, General Auditor	Michael John Felber SVP, Sales	Rita Ann Costello SVP, Strategic Marketing
Maria Harris Tildon SVP, Public Policy	Jon Paul Shematek, M.D. SVP, Chief Medical Officer	Kenny Waitem Kan SVP, Chief Actuary
Wanda Kay Oneferu-Bey SVP, ASU-Consumer Direct	Jennifer Ann Cryor Baldwin # SVP, Patient Centered Medical Home (PCMH)	Steven Jon Margolis SVP, ASU-Small & Medium Groups
Harry Dietz Fox SVP, Technical & Ops Support	Michelle Judith Wright SVP, Human Resources	

### DIRECTORS OR TRUSTEES

Elizabeth Oliver-Farrow	James Wallace	Larry Donovan Bailey
Carlos Mario Rodriguez	Artis Gail Hampshire-Cowan #	Faye Ford Fields
Natalie Olivia Ludaway	Robert Lee Sloan	Janice Delores Anderson
Bernard Keith Jarvis	Wendell Lee Johns	Jack Allan Meyer
Elena Victoria Rios	Patricia Amelia Rodriguez	

State of Maryland SS:  
County of Baltimore

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

 Chester Emerson Burrell President and Chief Executive Officer	 Meryl Davis Burgin Corp. Secretary, Exec. VP & Gen. Counsel	 Jeanne Ann Kennedy Corp. Treasurer & VP
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Subscribed and sworn to before me this 27th day of FEBRUARY 2014  
  
Cynthia L. Kipp

a. Is this an original filing? ..... Yes [ X ] No [ ]  
b. If no,  
1. State the amendment number.....  
2. Date filed .....  
3. Number of pages attached.....



ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D) .....	511,476,700	0	511,476,700	549,574,934
2. Stocks (Schedule D):				
2.1 Preferred stocks .....	0	0	0	0
2.2 Common stocks .....	121,819,719	0	121,819,719	179,646,805
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens .....	0	0	0	0
3.2 Other than first liens .....	0	0	0	0
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ .....0 encumbrances) .....	0	0	0	0
4.2 Properties held for the production of income (less \$ .....0 encumbrances) .....	0	0	0	0
4.3 Properties held for sale (less \$ .....0 encumbrances) .....	0	0	0	0
5. Cash (\$ .....(106,949,399) , Schedule E - Part 1), cash equivalents (\$ .....0 , Schedule E - Part 2) and short-term investments (\$ .....112,175,883 , Schedule DA) .....	5,226,484	0	5,226,484	(37,059,787)
6. Contract loans, (including \$ .....0 premium notes) .....	0	0	0	0
7. Derivatives (Schedule DB) .....	0	0	0	0
8. Other invested assets (Schedule BA) .....	435,684,914	166,667	435,518,247	401,455,368
9. Receivables for securities .....	0	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL) .....	0	0	0	0
11. Aggregate write-ins for invested assets .....	0	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	1,074,207,817	166,667	1,074,041,150	1,093,617,320
13. Title plants less \$ .....0 charged off (for Title insurers only) .....	0	0	0	0
14. Investment income due and accrued .....	3,883,879	0	3,883,879	4,003,396
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	235,728,037	4,111,754	231,616,283	212,721,247
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....0 earned but unbilled premiums) .....	0	0	0	0
15.3 Accrued retrospective premiums .....	0	0	0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	16,926,028	0	16,926,028	8,006,603
16.2 Funds held by or deposited with reinsured companies .....	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts .....	846,884	0	846,884	683,425
17. Amounts receivable relating to uninsured plans .....	69,410,115	4,585,896	64,824,219	35,677,059
18.1 Current federal and foreign income tax recoverable and interest thereon .....	11,858,431	0	11,858,431	15,079,432
18.2 Net deferred tax asset .....	0	0	0	0
19. Guaranty funds receivable or on deposit .....	0	0	0	0
20. Electronic data processing equipment and software .....	140,208,321	126,302,405	13,905,916	9,702,335
21. Furniture and equipment, including health care delivery assets (\$ .....0 ) .....	5,607,350	5,607,350	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates .....	10,932,605	0	10,932,605	7,935,737
24. Health care (\$ .....105,761,937 ) and other amounts receivable .....	801,349,636	15,353,302	785,996,334	862,666,716
25. Aggregate write-ins for other than invested assets .....	98,082,860	96,867,671	1,215,189	1,194,850
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	2,469,041,963	252,995,045	2,216,046,918	2,251,288,120
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	0	0	0	0
28. Total (Lines 26 and 27)	2,469,041,963	252,995,045	2,216,046,918	2,251,288,120
<b>DETAILS OF WRITE-INS</b>				
1101. ....	0	0	0	0
1102. ....	0	0	0	0
1103. ....	0	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above)	0	0	0	0
2501. Other Assets .....	1,215,189	0	1,215,189	1,194,850
2502. Prepaid Expenses - Non-Admitted .....	47,301,159	47,301,159	0	0
2503. Pension- Prepaid .....	49,566,512	49,566,512	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above)	98,082,860	96,867,671	1,215,189	1,194,850

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1	2	3	4
	Covered	Uncovered	Total	Total
1. Claims unpaid (less \$ .....11,550,034 reinsurance ceded) .....	240,462,451	12,203,217	252,665,668	267,054,569
2. Accrued medical incentive pool and bonus amounts .....	0	0	0	0
3. Unpaid claims adjustment expenses .....	9,684,968	491,502	10,176,470	10,812,354
4. Aggregate health policy reserves, including the liability of \$ .....0 for medical loss ratio rebate per the Public Health Service Act .....	681,174,397	0	681,174,397	729,127,798
5. Aggregate life policy reserves .....	0	0	0	0
6. Property/casualty unearned premium reserves .....	0	0	0	0
7. Aggregate health claim reserves .....	0	0	0	0
8. Premiums received in advance .....	50,122,646	0	50,122,646	53,225,819
9. General expenses due or accrued .....	75,312,788	0	75,312,788	60,890,545
10.1 Current federal and foreign income tax payable and interest thereon (including \$ .....0 on realized capital gains (losses)) .....	0	0	0	0
10.2 Net deferred tax liability .....	22,352,282	0	22,352,282	12,760,049
11. Ceded reinsurance premiums payable .....	24,778,236	0	24,778,236	23,063,571
12. Amounts withheld or retained for the account of others .....	32,978,186	0	32,978,186	37,859,472
13. Remittance and items not allocated .....	1,898,216	0	1,898,216	1,641,518
14. Borrowed money (including \$ .....0 current) and interest thereon \$ .....0 (including \$ .....0 current) .....	0	0	0	0
15. Amounts due to parent, subsidiaries and affiliates .....	59,913,386	0	59,913,386	46,661,221
16. Derivatives .....	0	0	0	0
17. Payable for securities .....	0	0	0	0
18. Payable for securities lending .....	0	0	0	0
19. Funds held under reinsurance treaties (with \$ .....0 authorized reinsurers, \$ .....0 unauthorized reinsurers and \$ .....0 certified reinsurers) .....	0	0	0	0
20. Reinsurance in unauthorized and certified (\$ .....0 ) companies .....	0	0	0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates .....	0	0	0	0
22. Liability for amounts held under uninsured plans .....	16,774,834	0	16,774,834	10,585,684
23. Aggregate write-ins for other liabilities (including \$ .....12,281,571 current) .....	53,148,334	0	53,148,334	56,534,566
24. Total liabilities (Lines 1 to 23) .....	1,268,600,724	12,694,719	1,281,295,443	1,310,217,166
25. Aggregate write-ins for special surplus funds .....	XXX	XXX	0	0
26. Common capital stock .....	XXX	XXX	0	0
27. Preferred capital stock .....	XXX	XXX	0	0
28. Gross paid in and contributed surplus .....	XXX	XXX	0	0
29. Surplus notes .....	XXX	XXX	0	0
30. Aggregate write-ins for other than special surplus funds .....	XXX	XXX	0	0
31. Unassigned funds (surplus) .....	XXX	XXX	934,751,475	941,070,954
32. Less treasury stock, at cost:				
32.1 .....0 shares common (value included in Line 26 \$ .....0 ) .....	XXX	XXX	0	0
32.2 .....0 shares preferred (value included in Line 27 \$ .....0 ) .....	XXX	XXX	0	0
33. Total capital and surplus (Lines 25 to 31 minus Line 32) .....	XXX	XXX	934,751,475	941,070,954
34. Total liabilities, capital and surplus (Lines 24 and 33) .....	XXX	XXX	2,216,046,918	2,251,288,120
DETAILS OF WRITE-INS				
2301. Amounts Withheld for Escheatment .....	9,095,548	0	9,095,548	8,756,467
2302. Reinsurance Payable .....	810,113	0	810,113	372,352
2303. Other Liabilities .....	43,242,673	0	43,242,673	47,405,747
2308. Summary of remaining write-ins for Line 23 from overflow page .....	0	0	0	0
2309. Totals (Lines 2301 thru 2303 plus 2308)(Line 23 above) .....	53,148,334	0	53,148,334	56,534,566
2501. ....	XXX	XXX	0	0
2502. ....	XXX	XXX	0	0
2503. ....	XXX	XXX	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	XXX	XXX	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	XXX	XXX	0	0
3001. ....	XXX	XXX	0	0
3002. ....	XXX	XXX	0	0
3003. ....	XXX	XXX	0	0
3098. Summary of remaining write-ins for Line 30 from overflow page .....	XXX	XXX	0	0
3099. Totals (Lines 3001 thru 3003 plus 3098)(Line 30 above) .....	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months.....	XXX	8,972,558	9,754,627
2. Net premium income ( including \$ .....0 non-health premium income) .....	XXX	3,095,809,333	3,204,928,073
3. Change in unearned premium reserves and reserve for rate credits .....	XXX	45,946,685	(55,616,525)
4. Fee-for-service (net of \$ .....0 medical expenses) .....	XXX	0	0
5. Risk revenue .....	XXX	0	0
6. Aggregate write-ins for other health care related revenues .....	XXX	16,385,253	13,573,633
7. Aggregate write-ins for other non-health revenues .....	XXX	3,729,154	3,039,142
8. Total revenues (Lines 2 to 7) .....	XXX	3,161,870,425	3,165,924,323
<b>Hospital and Medical:</b>			
9. Hospital/medical benefits .....	94,960,220	1,919,761,619	2,132,505,875
10. Other professional services .....	3,948,379	183,863,497	105,418,353
11. Outside referrals .....	40,786,619	40,786,618	33,578,877
12. Emergency room and out-of-area .....	1,511,950	69,411,341	51,534,094
13. Prescription drugs .....	0	709,848,954	694,981,524
14. Aggregate write-ins for other hospital and medical .....	0	0	0
15. Incentive pool, withhold adjustments, and bonus amounts .....	0	0	0
16. Subtotal (Lines 9 to 15) .....	141,207,168	2,923,672,029	3,018,018,723
<b>Less:</b>			
17. Net reinsurance recoveries .....	0	124,297,746	174,018,840
18. Total hospital and medical (Lines 16 minus 17) .....	141,207,168	2,799,374,283	2,843,999,883
19. Non-health claims (net) .....	0	0	0
20. Claims adjustment expenses, including \$ .....65,340,004 cost containment expenses .....	0	144,404,857	128,148,542
21. General administrative expenses .....	0	253,957,314	241,650,034
22. Increase in reserves for life and accident and health contracts (including \$ .....0 increase in reserves for life only) .....	0	0	0
23. Total underwriting deductions (Lines 18 through 22).....	141,207,168	3,197,736,454	3,213,798,459
24. Net underwriting gain or (loss) (Lines 8 minus 23) .....	XXX	(35,866,029)	(47,874,136)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17) .....	0	14,209,056	18,120,914
26. Net realized capital gains (losses) less capital gains tax of \$ .....4,939,901 .....	0	19,759,606	19,978,096
27. Net investment gains (losses) (Lines 25 plus 26) .....	0	33,968,662	38,099,010
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ .....0 ) (amount charged off \$ .....0 )] .....	0	0	0
29. Aggregate write-ins for other income or expenses .....	0	340,974	(1,577,913)
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29) .....	XXX	(1,556,393)	(11,353,039)
31. Federal and foreign income taxes incurred .....	XXX	(10,539,059)	(3,836,559)
32. Net income (loss) (Lines 30 minus 31) .....	XXX	8,982,666	(7,516,480)
<b>DETAILS OF WRITE-INS</b>			
0601. FEP Performance Incentive .....	XXX	16,268,743	13,450,000
0602. Trigon network fee – Med D .....	XXX	91,098	123,633
0603. Med D admin Reimbursement .....	XXX	25,412	0
0698. Summary of remaining write-ins for Line 6 from overflow page .....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698)(Line 6 above) .....	XXX	16,385,253	13,573,633
0701. FEP Bridge .....	XXX	3,729,154	3,039,142
0702. ....	XXX	0	0
0703. ....	XXX	0	0
0798. Summary of remaining write-ins for Line 7 from overflow page .....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798)(Line 7 above) .....	XXX	3,729,154	3,039,142
1401. ....	0	0	0
1402. ....	0	0	0
1403. ....	0	0	0
1498. Summary of remaining write-ins for Line 14 from overflow page .....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498)(Line 14 above) .....	0	0	0
2901. Miscellaneous .....	0	498,308	(1,477,778)
2902. Regulatory fines and fees .....	0	(157,334)	(100,135)
2903. ....	0	0	0
2998. Summary of remaining write-ins for Line 29 from overflow page .....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998)(Line 29 above) .....	0	340,974	(1,577,913)

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1 Current Year	2 Prior Year
CAPITAL AND SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year.....	941,070,954	963,581,314
34. Net income or (loss) from Line 32 .....	8,982,666	(7,516,480)
35. Change in valuation basis of aggregate policy and claim reserves .....	0	0
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ ..... (2,138,850) .....	30,090,730	27,662,649
37. Change in net unrealized foreign exchange capital gain or (loss) .....	0	0
38. Change in net deferred income tax .....	(11,798,087)	(13,778,285)
39. Change in nonadmitted assets .....	(4,346,501)	(4,334,829)
40. Change in unauthorized and certified reinsurance .....	0	0
41. Change in treasury stock .....	0	0
42. Change in surplus notes .....	0	0
43. Cumulative effect of changes in accounting principles.....	(2,174,001)	(39,698,083)
44. Capital Changes:		
44.1 Paid in .....	0	0
44.2 Transferred from surplus (Stock Dividend).....	0	0
44.3 Transferred to surplus.....	0	0
45. Surplus adjustments:		
45.1 Paid in .....	0	0
45.2 Transferred to capital (Stock Dividend) .....	0	0
45.3 Transferred from capital .....	0	0
46. Dividends to stockholders .....	0	0
47. Aggregate write-ins for gains or (losses) in surplus .....	(27,074,286)	15,154,668
48. Net change in capital and surplus (Lines 34 to 47) .....	(6,319,479)	(22,510,360)
49. Capital and surplus end of reporting period (Line 33 plus 48)	934,751,475	941,070,954
DETAILS OF WRITE-INS		
4701. Change in additional liability\Intangible Assets for pension .....	(27,119,941)	15,154,668
4702. Miscellaneous .....	45,655	0
4703. ....	0	0
4798. Summary of remaining write-ins for Line 47 from overflow page .....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798)(Line 47 above)	(27,074,286)	15,154,668

CASH FLOW

	1	2
	Current Year	Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance .....	3,110,022,104	3,164,848,969
2. Net investment income .....	20,817,591	25,601,390
3. Miscellaneous income .....	20,114,407	16,612,775
4. Total (Lines 1 through 3) .....	3,150,954,102	3,207,063,134
5. Benefit and loss related payments .....	2,787,931,991	2,915,111,472
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	0	0
7. Commissions, expenses paid and aggregate write-ins for deductions .....	380,234,261	369,208,066
8. Dividends paid to policyholders .....	0	0
9. Federal and foreign income taxes paid (recovered) net of \$ ..... 4,939,901 tax on capital gains (losses) .....	(8,820,159)	(279,043)
10. Total (Lines 5 through 9) .....	3,159,346,093	3,284,040,495
11. Net cash from operations (Line 4 minus Line 10) .....	(8,391,991)	(76,977,361)
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds .....	750,487,050	1,111,556,368
12.2 Stocks .....	126,886,308	100,504,595
12.3 Mortgage loans .....	0	0
12.4 Real estate .....	0	0
12.5 Other invested assets .....	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	9,628	0
12.7 Miscellaneous proceeds .....	0	0
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	877,382,986	1,212,060,963
13. Cost of investments acquired (long-term only):		
13.1 Bonds .....	717,279,295	1,088,535,784
13.2 Stocks .....	52,078,892	82,679,405
13.3 Mortgage loans .....	0	0
13.4 Real estate .....	0	0
13.5 Other invested assets .....	0	0
13.6 Miscellaneous applications .....	0	0
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	769,358,187	1,171,215,189
14. Net increase (decrease) in contract loans and premium notes .....	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14) .....	108,024,799	40,845,774
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes .....	0	0
16.2 Capital and paid in surplus, less treasury stock .....	0	0
16.3 Borrowed funds .....	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	0	0
16.5 Dividends to stockholders .....	0	0
16.6 Other cash provided (applied) .....	(57,346,538)	(66,431,817)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6) .....	(57,346,538)	(66,431,817)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....	42,286,270	(102,563,404)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year .....	(37,059,786)	65,503,618
19.2 End of year (Line 18 plus Line 19.1) .....	5,226,484	(37,059,786)

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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ANNUAL STATEMENT FOR THE YEAR 2013 OF THE Group Hospitalization & Medical Services, Inc.

**ANALYSIS OF OPERATIONS BY LINES OF BUSINESS**

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income .....	3,095,809,333	1,244,424,768	31,018,365	39,302,869	3,926,096	1,760,204,270	0	0	16,932,965	0
2. Change in unearned premium reserves and reserve for rate credit .....	45,946,685	7,371,078	1,120,000	0	0	37,473,401	0	0	(17,794)	0
3. Fee-for-service (net of \$ .....0 medical expenses) .....	0	0	0	0	0	0	0	0	0	XXX
4. Risk revenue .....	0	0	0	0	0	0	0	0	0	XXX
5. Aggregate write-ins for other health care related revenues .....	16,385,253	0	0	0	0	16,268,743	0	0	116,510	XXX
6. Aggregate write-ins for other non-health care related revenues .....	3,729,154	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,729,154
7. Total revenues (Lines 1 to 6) .....	3,161,870,425	1,251,795,846	32,138,365	39,302,869	3,926,096	1,813,946,414	0	0	17,031,681	3,729,154
8. Hospital/medical benefits .....	1,919,761,619	801,235,125	12,603,714	0	0	1,101,376,182	0	0	4,546,598	XXX
9. Other professional services .....	183,863,497	53,613,243	636,994	46,563,989	4,347,662	78,471,735	0	0	229,874	XXX
10. Outside referrals .....	40,786,618	16,447,330	195,415	0	0	24,073,353	0	0	70,520	XXX
11. Emergency room and out-of-area .....	69,411,341	27,990,338	332,561	0	0	40,968,430	0	0	120,012	XXX
12. Prescription drugs .....	709,848,954	259,163,471	(4,816)	0	0	450,690,299	0	0	0	XXX
13. Aggregate write-ins for other hospital and medical .....	0	0	0	0	0	0	0	0	0	XXX
14. Incentive pool, withhold adjustments and bonus amounts .....	0	0	0	0	0	0	0	0	0	XXX
15. Subtotal (Lines 8 to 14) .....	2,923,672,029	1,158,449,507	13,763,868	46,563,989	4,347,662	1,695,579,999	0	0	4,967,004	XXX
16. Net reinsurance recoveries .....	124,297,746	125,912,981	(9,171,876)	14,233,688	1,051,883	0	0	0	(7,728,930)	XXX
17. Total medical and hospital (Lines 15 minus 16) .....	2,799,374,283	1,032,536,526	22,935,744	32,330,301	3,295,779	1,695,579,999	0	0	12,695,934	XXX
18. Non-health claims (net) .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including \$ .....65,340,004 cost containment expenses .....	144,404,856	74,031,654	2,071,324	3,072,610	184,552	62,542,248	0	0	2,502,468	0
20. General administrative expenses .....	253,957,316	175,005,101	3,998,626	3,178,797	1,981,596	50,384,655	0	0	15,679,387	3,729,154
21. Increase in reserves for accident and health contracts .....	0	0	0	0	0	0	0	0	0	XXX
22. Increase in reserves for life contracts .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
23. Total underwriting deductions (Lines 17 to 22) .....	3,197,736,455	1,281,573,281	29,005,694	38,581,708	5,461,927	1,808,506,902	0	0	30,877,789	3,729,154
24. Total underwriting gain or (loss) (Line 7 minus Line 23) .....	(35,866,030)	(29,777,435)	3,132,671	721,161	(1,535,831)	5,439,512	0	0	(13,846,108)	0
DETAILS OF WRITE-INS										
0501. FEP Performance Incentive .....	16,268,743	0	0	0	0	16,268,743	0	0	0	XXX
0502. Med D Admin Reimbursement .....	25,412	0	0	0	0	0	0	0	25,412	XXX
0503. Trigon Network Fee .....	91,098	0	0	0	0	0	0	0	91,098	XXX
0598. Summary of remaining write-ins for Line 5 from overflow page .....	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above) .....	16,385,253	0	0	0	0	16,268,743	0	0	116,510	XXX
0601. FEP Bridge .....	3,729,154	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,729,154
0602. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603. ....		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page .....	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above) .....	3,729,154	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	3,729,154
1301. ....										XXX
1302. ....										XXX
1303. ....										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page .....	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 thru 1303 plus 1398) (Line 13 above) .....	0	0	0	0	0	0	0	0	0	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1	2	3	4
	Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical) .....	1,396,070,540	35,373,955	187,019,727	1,244,424,768
2. Medicare Supplement .....	17,531,406	14,090,398	603,439	31,018,365
3. Dental only .....	63,493,748	69,887	24,260,766	39,302,869
4. Vision only .....	5,563,383	68,332	1,705,619	3,926,096
5. Federal Employees Health Benefits Plan .....	1,760,204,270	0	0	1,760,204,270
6. Title XVIII - Medicare .....	0	0	0	0
7. Title XIX - Medicaid .....	0	0	0	0
8. Other health .....	9,489,282	7,443,683	0	16,932,965
9. Health subtotal (Lines 1 through 8) .....	3,252,352,629	57,046,255	213,589,551	3,095,809,333
10. Life .....	0	0	0	0
11. Property/casualty .....	0	0	0	0
12. Totals (Lines 9 to 11)	3,252,352,629	57,046,255	213,589,551	3,095,809,333



UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	2,962,129,906	1,205,040,760	14,282,787	47,185,289	4,347,662	1,685,787,404	.0	.0	5,486,004	.0
1.2 Reinsurance assumed	44,181,248	26,019,549	10,177,301	68,362	195,876	.0	.0	.0	7,720,160	.0
1.3 Reinsurance ceded	165,223,279	148,544,121	534,428	14,896,971	1,247,759	.0	.0	.0	.0	.0
1.4 Net	2,841,087,875	1,082,516,188	23,925,660	32,356,680	3,295,779	1,685,787,404	.0	.0	13,206,164	.0
2. Paid medical incentive pools and bonuses	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	260,476,134	82,253,176	1,951,883	4,523,500	.0	165,020,774	.0	.0	6,726,801	.0
3.2 Reinsurance assumed	3,739,569	2,419,744	1,218,965	6,631	.0	.0	.0	.0	94,228	.0
3.3 Reinsurance ceded	11,550,034	10,077,916	71,141	1,251,946	.0	.0	.0	.0	149,032	.0
3.4 Net	252,665,668	74,595,004	3,099,708	3,278,185	.0	165,020,774	.0	.0	6,671,997	.0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.2 Reinsurance assumed	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.3 Reinsurance ceded	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
4.4 Net	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
5. Accrued medical incentive pools and bonuses, current year	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
6. Net healthcare receivables (a)	18,405,264	18,405,264	.0	.0	.0	.0	.0	.0	.0	.0
7. Amounts recoverable from reinsurers December 31, current year	16,926,029	16,926,029	.0	.0	.0	.0	.0	.0	.0	.0
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	280,528,745	110,439,164	2,470,801	5,144,800	.0	155,228,179	.0	.0	7,245,801	.0
8.2 Reinsurance assumed	5,068,051	3,244,385	1,721,876	6,201	.0	.0	.0	.0	95,588	.0
8.3 Reinsurance ceded	18,542,227	16,433,574	103,055	1,846,437	.0	.0	.0	.0	159,162	.0
8.4 Net	267,054,569	97,249,976	4,089,623	3,304,564	.0	155,228,179	.0	.0	7,182,227	.0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
9.2 Reinsurance assumed	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
9.3 Reinsurance ceded	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
9.4 Net	.0	.0	.0	.0	.0	.0	.0	.0	.0	.0
10. Accrued medical incentive pools and bonuses, prior year	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	8,006,604	8,006,604	0	0	0	0	0	0	0	0
12. Incurred Benefits:										
12.1 Direct	2,923,672,030	1,158,449,508	13,763,869	46,563,988	4,347,662	1,695,579,999	.0	.0	4,967,004	.0
12.2 Reinsurance assumed	42,852,766	25,194,908	9,674,390	68,792	195,876	.0	.0	.0	7,718,800	.0
12.3 Reinsurance ceded	167,150,511	151,107,888	502,514	14,302,480	1,247,759	.0	.0	.0	(10,130)	.0
12.4 Net	2,799,374,285	1,032,536,527	22,935,745	32,330,300	3,295,779	1,695,579,999	0	0	12,695,934	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

(a) Excludes \$ 96,980,182 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Reported in Process of Adjustment:										
1.1 Direct .....	36,563,821	11,546,127	273,992	634,977	0	23,164,464	0	0	944,261	0
1.2 Reinsurance assumed .....	247,848	247,848	0	0	0	0	0	0	0	0
1.3 Reinsurance ceded .....	1,645,367	1,645,367	0	0	0	0	0	0	0	0
1.4 Net .....	35,166,302	10,148,608	273,992	634,977	0	23,164,464	0	0	944,261	0
2. Incurred but Unreported:										
2.1 Direct .....	223,912,313	70,707,049	1,677,891	3,888,523	0	141,856,310	0	0	5,782,540	0
2.2 Reinsurance assumed .....	3,491,721	2,171,896	1,218,965	6,631	0	0	0	0	94,228	0
2.3 Reinsurance ceded .....	9,904,667	8,432,549	71,141	1,251,946	0	0	0	0	149,032	0
2.4 Net .....	217,499,366	64,446,396	2,825,716	2,643,208	0	141,856,310	0	0	5,727,736	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct .....	0	0	0	0	0	0	0	0	0	0
3.2 Reinsurance assumed .....	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded .....	0	0	0	0	0	0	0	0	0	0
3.4 Net .....	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1 Direct .....	260,476,134	82,253,176	1,951,883	4,523,500	0	165,020,774	0	0	6,726,801	0
4.2 Reinsurance assumed .....	3,739,569	2,419,744	1,218,965	6,631	0	0	0	0	94,228	0
4.3 Reinsurance ceded .....	11,550,034	10,077,916	71,141	1,251,946	0	0	0	0	149,032	0
4.4 Net .....	252,665,668	74,595,004	3,099,708	3,278,185	0	165,020,774	0	0	6,671,997	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4		
	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred In Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical) .....	87,668,916	985,927,847	1,009,219	73,585,784	88,678,135	97,249,977
2. Medicare Supplement .....	3,028,471	20,897,189	20,995	3,078,712	3,049,466	4,089,623
3. Dental Only .....	3,130,672	29,226,009	15,132	3,263,053	3,145,804	3,304,564
4. Vision Only .....	0	3,295,779	0	0	0	0
5. Federal Employees Health Benefits Plan .....	155,583,757	1,530,203,648	1,078,200	163,942,574	156,661,957	155,228,179
6. Title XVIII - Medicare .....	0	0	0	0	0	0
7. Title XIX - Medicaid .....	0	0	0	0	0	0
8. Other health .....	647,326	12,558,837	662,690	6,009,307	1,310,016	7,182,227
9. Health subtotal (Lines 1 to 8) .....	250,059,142	2,582,109,309	2,786,236	249,879,430	252,845,378	267,054,570
10. Healthcare receivables (a) .....	0	18,405,264	0	0	0	0
11. Other non-health .....	0	0	0	0	0	0
12. Medical incentive pools and bonus amounts .....	0	0	0	0	0	0
13. Totals (Lines 9 - 10 + 11 + 12)	250,059,142	2,563,704,045	2,786,236	249,879,430	252,845,378	267,054,570

(a) Excludes \$ 96,980,182 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....	88,057	91,182	91,632	94,430	94,603
2.	2009 .....	977,244	1,060,299	1,061,781	1,062,390	1,064,867
3.	2010 .....	XXX	905,056	992,485	995,116	996,320
4.	2011 .....	XXX	XXX	949,626	1,050,049	1,051,598
5.	2012 .....	XXX	XXX	XXX	1,021,645	1,103,909
6.	2013 .....	XXX	XXX	XXX	XXX	967,523

Section B - Incurred Health Claims - Comprehensive (Hospital & Medical)

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....	89,938	91,182	91,632	94,430	94,603
2.	2009 .....	1,071,579	1,064,206	1,065,350	1,062,390	1,064,867
3.	2010 .....	XXX	998,791	994,493	995,116	996,320
4.	2011 .....	XXX	XXX	1,059,773	1,052,380	1,051,598
5.	2012 .....	XXX	XXX	XXX	1,116,563	1,104,918
6.	2013 .....	XXX	XXX	XXX	XXX	1,041,108

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Comprehensive (Hospital & Medical)

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2009 .....	1,271,277	1,064,867	36,948	3.5	1,101,815	86.7	0	0	1,101,815	86.7
2. 2010 .....	1,317,114	996,320	55,935	5.6	1,052,255	79.9	0	0	1,052,255	79.9
3. 2011 .....	1,295,884	1,051,598	44,648	4.2	1,096,246	84.6	0	0	1,096,246	84.6
4. 2012 .....	1,296,669	1,103,909	58,784	5.3	1,162,693	89.7	1,009	41	1,163,743	89.7
5. 2013 .....	1,251,796	967,523	73,489	7.6	1,041,012	83.2	73,586	5,160	1,119,758	89.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Medicare Supplement

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....	3,634	3,580	3,579	3,568	3,568
2.	2009 .....	20,767	23,949	23,975	23,967	23,954
3.	2010 .....	XXX	20,455	24,467	24,469	24,452
4.	2011 .....	XXX	XXX	21,204	24,797	24,807
5.	2012 .....	XXX	XXX	XXX	21,026	24,076
6.	2013 .....	XXX	XXX	XXX	XXX	20,897

Section B - Incurred Health Claims - Medicare Supplement

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....	3,732	3,580	3,579	3,568	3,568
2.	2009 .....	24,485	24,003	23,975	23,967	23,954
3.	2010 .....	XXX	24,379	24,550	24,469	24,452
4.	2011 .....	XXX	XXX	25,332	24,981	24,807
5.	2012 .....	XXX	XXX	XXX	24,932	24,097
6.	2013 .....	XXX	XXX	XXX	XXX	23,976

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Medicare Supplement

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1.	2009 .....	30,745	23,954	1,903	7.9	25,857	84.1	0	0	25,857	84.1
2.	2010 .....	30,748	24,452	2,730	11.2	27,182	88.4	0	0	27,182	88.4
3.	2011 .....	30,732	24,807	2,743	11.1	27,550	89.6	0	0	27,550	89.6
4.	2012 .....	30,706	24,076	2,225	9.2	26,301	85.7	21	1	26,323	85.7
5.	2013 .....	32,138	20,897	2,056	9.8	22,953	71.4	3,079	144	26,176	81.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Dental Only

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....	1,997	2,009	2,014	2,016	2,016
2.	2009 .....	24,477	26,614	26,647	26,653	26,653
3.	2010 .....	XXX	25,838	28,491	28,524	28,536
4.	2011 .....	XXX	XXX	26,433	29,446	29,475
5.	2012 .....	XXX	XXX	XXX	30,107	33,197
6.	2013 .....	XXX	XXX	XXX	XXX	29,226

Section B - Incurred Health Claims - Dental Only

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....	2,005	2,009	2,014	2,016	2,016
2.	2009 .....	26,856	26,614	26,647	26,653	26,653
3.	2010 .....	XXX	28,514	28,522	28,524	28,536
4.	2011 .....	XXX	XXX	29,330	29,489	29,475
5.	2012 .....	XXX	XXX	XXX	33,369	33,212
6.	2013 .....	XXX	XXX	XXX	XXX	32,489

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Dental Only

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2009 .....	34,383	26,653	3,271	12.3	29,924	87.0	0	0	29,924	87.0
2. 2010 .....	0	28,536	0	0.0	28,536	0.0	0	0	28,536	0.0
3. 2011 .....	35,389	29,475	3,326	11.3	32,801	92.7	0	0	32,801	92.7
4. 2012 .....	37,488	33,197	2,119	6.4	35,316	94.2	15	1	35,332	94.2
5. 2013 .....	39,303	29,226	3,050	10.4	32,276	82.1	3,263	214	35,753	91.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Vision Only

Year in Which Losses Were Incurred						Cumulative Net Amounts Paid				
						1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....					0	0	0	0	0
2.	2009 .....					0	0	0	0	0
3.	2010 .....					XXX	0	0	0	0
4.	2011 .....					XXX	XXX	3,161	3,161	3,161
5.	2012 .....					XXX	XXX	XXX	3,679	3,679
6.	2013 .....					XXX	XXX	XXX	XXX	3,296

Section B - Incurred Health Claims - Vision Only

Year in Which Losses Were Incurred						Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
						1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....					0	0	0	0	0
2.	2009 .....					0	0	0	0	0
3.	2010 .....					XXX	0	0	0	0
4.	2011 .....					XXX	XXX	3,161	3,161	3,161
5.	2012 .....					XXX	XXX	XXX	3,679	3,679
6.	2013 .....					XXX	XXX	XXX	XXX	3,296

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Vision Only

Years in which Premiums were Earned and Claims were Incurred		1	2	3	4	5	6	7	8	9	10
		Premiums Earned	Claims Payment	Claim Adjustment Expense Payments	(Col. 3/2) Percent	Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	(Col. 5/1) Percent	Claims Unpaid	Unpaid Claims Adjustment Expenses	Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	(Col. 9/1) Percent
1.	2009 .....	0	0	0	0.0	0	0.0	0	0	0	0.0
2.	2010 .....	0	0	0	0.0	0	0.0	0	0	0	0.0
3.	2011 .....	2,953	3,161	130	4.1	3,291	111.4	0	0	3,291	111.4
4.	2012 .....	3,502	3,679	64	1.7	3,743	106.9	0	0	3,743	106.9
5.	2013 .....	3,926	3,296	183	5.6	3,479	88.6	0	13	3,492	88.9

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....	144,116	143,551	142,875	143,388	143,225
2.	2009 .....	1,321,402	1,460,199	1,459,104	1,458,793	1,459,453
3.	2010 .....	XXX	1,320,408	1,479,284	1,480,645	1,480,516
4.	2011 .....	XXX	XXX	1,400,950	1,592,378	1,594,223
5.	2012 .....	XXX	XXX	XXX	1,470,190	1,623,560
6.	2013 .....	XXX	XXX	XXX	XXX	1,530,204

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....	147,102	143,551	142,875	143,388	143,225
2.	2009 .....	1,465,102	1,462,206	1,459,104	1,458,793	1,459,453
3.	2010 .....	XXX	1,465,353	1,480,681	1,480,645	1,480,516
4.	2011 .....	XXX	XXX	1,557,491	1,594,808	1,594,223
5.	2012 .....	XXX	XXX	XXX	1,622,989	1,624,638
6.	2013 .....	XXX	XXX	XXX	XXX	1,694,146

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2009 .....	1,518,221	1,459,453	29,390	2.0	1,488,843	98.1	0	0	1,488,843	98.1
2. 2010 .....	1,534,054	1,480,516	42,961	2.9	1,523,477	99.3	0	0	1,523,477	99.3
3. 2011 .....	1,664,324	1,594,223	52,026	3.3	1,646,249	98.9	0	0	1,646,249	98.9
4. 2012 .....	1,764,304	1,623,560	60,987	3.8	1,684,547	95.5	1,078	43	1,685,668	95.5
5. 2013 .....	1,797,678	1,530,204	62,083	4.1	1,592,287	88.6	163,943	4,359	1,760,589	97.9



UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Other

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....	1,004	1,004	1,004	1,004	1,004
2.	2009 .....	12,355	13,189	13,211	13,285	13,285
3.	2010 .....	XXX	9,990	10,420	10,420	10,420
4.	2011 .....	XXX	XXX	8,527	9,058	9,144
5.	2012 .....	XXX	XXX	XXX	12,073	12,635
6.	2013 .....	XXX	XXX	XXX	XXX	12,559

Section B - Incurred Health Claims - Other

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....	1,350	1,004	1,004	1,004	1,004
2.	2009 .....	15,894	13,756	13,211	13,285	13,285
3.	2010 .....	XXX	15,194	11,163	10,420	10,420
4.	2011 .....	XXX	XXX	15,444	9,794	9,144
5.	2012 .....	XXX	XXX	XXX	18,519	13,298
6.	2013 .....	XXX	XXX	XXX	XXX	18,568

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Other

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2009 .....	22,222	13,285	2,657	20.0	15,942	71.7	0	0	15,942	71.7
2. 2010 .....	22,058	10,420	3,886	37.3	14,306	64.9	0	0	14,306	64.9
3. 2011 .....	18,358	9,144	3,633	39.7	12,777	69.6	0	0	12,777	69.6
4. 2012 .....	16,643	12,635	5,229	41.4	17,864	107.3	663	27	18,554	111.5
5. 2013 .....	16,915	12,559	2,484	19.8	15,043	88.9	6,009	174	21,226	125.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS  
(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....	238,808	241,326	241,104	244,406	244,416
2.	2009 .....	2,356,245	2,584,250	2,584,718	2,585,088	2,588,212
3.	2010 .....	XXX	2,281,747	2,535,147	2,539,174	2,540,244
4.	2011 .....	XXX	XXX	2,409,901	2,708,889	2,712,408
5.	2012 .....	XXX	XXX	XXX	2,558,720	2,801,056
6.	2013 .....	XXX	XXX	XXX	XXX	2,563,705

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2009	2 2010	3 2011	4 2012	5 2013
1.	Prior .....	244,127	241,326	241,104	244,406	244,416
2.	2009 .....	2,603,916	2,590,785	2,588,287	2,585,088	2,588,212
3.	2010 .....	XXX	2,532,231	2,539,409	2,539,174	2,540,244
4.	2011 .....	XXX	XXX	2,690,531	2,714,613	2,712,408
5.	2012 .....	XXX	XXX	XXX	2,820,051	2,803,842
6.	2013 .....	XXX	XXX	XXX	XXX	2,813,583

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio - Grand Total

Years in which Premiums were Earned and Claims were Incurred	1  Premiums Earned	2  Claims Payment	3  Claim Adjustment Expense Payments	4  (Col. 3/2) Percent	5  Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6  (Col. 5/1) Percent	7  Claims Unpaid	8  Unpaid Claims Adjustment Expenses	9  Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10  (Col. 9/1) Percent
1. 2009 .....	2,876,848	2,588,212	74,169	2.9	2,662,381	92.5	0	0	2,662,381	92.5
2. 2010 .....	2,903,974	2,540,244	105,512	4.2	2,645,756	91.1	0	0	2,645,756	91.1
3. 2011 .....	3,047,640	2,712,408	106,506	3.9	2,818,914	92.5	0	0	2,818,914	92.5
4. 2012 .....	3,149,312	2,801,056	129,408	4.6	2,930,464	93.1	2,786	113	2,933,363	93.1
5. 2013 .....	3,141,756	2,563,705	143,345	5.6	2,707,050	86.2	249,880	10,064	2,966,994	94.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1	2	3	4	5	6	7	8	9
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
1. Unearned premium reserves .....	0	0	0	0	0	0	0	0	0
2. Additional policy reserves (a) .....	940,000	940,000	0	0	0	0	0	0	0
3. Reserve for future contingent benefits .....	0	0	0	0	0	0	0	0	0
4. Reserve for rate credits or experience rating refunds (including \$ .....0 ) for investment income .....	680,234,397	0	0	0	0	680,234,397	0	0	0
5. Aggregate write-ins for other policy reserves .....	0	0	0	0	0	0	0	0	0
6. Totals (gross) .....	681,174,397	940,000	0	0	0	680,234,397	0	0	0
7. Reinsurance ceded .....	0	0	0	0	0	0	0	0	0
8. Totals (Net)(Page 3, Line 4) .....	681,174,397	940,000	0	0	0	680,234,397	0	0	0
9. Present value of amounts not yet due on claims .....	0	0	0	0	0	0	0	0	0
10. Reserve for future contingent benefits .....	0	0	0	0	0	0	0	0	0
11. Aggregate write-ins for other claim reserves .....	0	0	0	0	0	0	0	0	0
12. Totals (gross) .....	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded .....	0	0	0	0	0	0	0	0	0
14. Totals (Net)(Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501. ....									
0502. ....									
0503. ....									
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above)	0	0	0	0	0	0	0	0	0
1101. ....									
1102. ....									
1103. ....									
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes \$ .....940,000 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ .....0 for occupancy of own building) .....	2,791,539	7,357,401	7,984,219	0	18,133,159
2. Salary, wages and other benefits .....	62,481,035	58,130,167	94,174,786	0	214,785,988
3. Commissions (less \$ .....0 ceded plus \$ .....0 assumed) .....	0	0	77,644,846	0	77,644,846
4. Legal fees and expenses .....	1,669	103,605	1,143,774	0	1,249,048
5. Certifications and accreditation fees .....	0	0	0	0	0
6. Auditing, actuarial and other consulting services ....	103,369	92,111	3,015,950	0	3,211,430
7. Traveling expenses .....	296,862	764,410	1,770,003	0	2,831,275
8. Marketing and advertising .....	0	0	1,718,742	0	1,718,742
9. Postage, express and telephone .....	267,843	4,554,453	4,686,185	0	9,508,481
10. Printing and office supplies .....	305,635	1,417,457	2,057,429	0	3,780,521
11. Occupancy, depreciation and amortization .....	0	0	0	0	0
12. Equipment .....	6,759	14,119	1,192,586	0	1,213,464
13. Cost or depreciation of EDP equipment and software .....	3,019,454	11,656,002	31,586,827	0	46,262,283
14. Outsourced services including EDP, claims, and other services .....	10,029,576	22,658,189	29,830,906	0	62,518,671
15. Boards, bureaus and association fees .....	49,122	7,483	2,164,726	0	2,221,331
16. Insurance, except on real estate .....	148,967	549,034	481,653	0	1,179,654
17. Collection and bank service charges .....	0	0	154,558	0	154,558
18. Group service and administration fees .....	0	0	0	0	0
19. Reimbursements by uninsured plans .....	(11,859,118)	(24,117,713)	(30,593,965)	0	(66,570,796)
20. Reimbursements from fiscal intermediaries .....	0	0	0	0	0
21. Real estate expenses .....	0	0	0	0	0
22. Real estate taxes .....	0	0	230,190	0	230,190
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes .....	0	0	0	0	0
23.2 State premium taxes .....	0	0	34,396,404	0	34,396,404
23.3 Regulatory authority licenses and fees .....	1,008	509	2,058,511	0	2,060,028
23.4 Payroll taxes .....	1,416,645	3,787,338	3,582,365	0	8,786,348
23.5 Other (excluding federal income and real estate taxes) .....	13,776	68,964	1,524,378	0	1,607,118
24. Investment expenses not included elsewhere .....	0	0	0	1,802,176	1,802,176
25. Aggregate write-ins for expenses .....	(3,734,137)	(7,978,676)	(16,847,759)	0	(28,560,572)
26. Total expenses incurred (Lines 1 to 25) .....	65,340,004	79,064,853	253,957,314	1,802,176	(a) .....400,164,347
27. Less expenses unpaid December 31, current year ..	0	10,176,470	108,044,617	0	118,221,087
28. Add expenses unpaid December 31, prior year .....	0	10,812,354	97,939,670	0	108,752,024
29. Amounts receivable relating to uninsured plans, prior year .....	4,833,277	7,530,110	23,313,672	0	35,677,059
30. Amounts receivable relating to uninsured plans, current year .....	11,153,499	13,496,322	43,350,359	0	68,000,180
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30) .....	71,660,226	85,666,949	263,889,054	1,802,176	423,018,405
DETAILS OF WRITE-INS					
2501. Charitable contributions .....	920	9,789	10,386,420	0	10,397,129
2502. Service charges Inter-plan bank .....	14	10,452,371	20,463	0	10,472,848
2503. IPSBB Inter-plan bank ITS .....	0	10,994,274	0	0	10,994,274
2598. Summary of remaining write-ins for Line 25 from overflow page .....	(3,735,071)	(29,435,110)	(27,254,642)	0	(60,424,823)
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	(3,734,137)	(7,978,676)	(16,847,759)	0	(28,560,572)

(a) Includes management fees of \$ .....211,988,364 to affiliates and \$ .....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. government bonds .....	(a) .....1,604,676	.....1,663,213
1.1	Bonds exempt from U.S. tax .....	(a) .....0	.....0
1.2	Other bonds (unaffiliated) .....	(a) .....11,848,813	.....11,633,577
1.3	Bonds of affiliates .....	(a) .....0	.....0
2.1	Preferred stocks (unaffiliated) .....	(b) .....0	.....0
2.11	Preferred stocks of affiliates .....	(b) .....0	.....0
2.2	Common stocks (unaffiliated) .....	.....2,260,335	.....2,260,335
2.21	Common stocks of affiliates .....	.....0	.....0
3.	Mortgage loans .....	(c) .....0	.....0
4.	Real estate .....	(d) .....0	.....0
5	Contract Loans .....	.....0	.....0
6	Cash, cash equivalents and short-term investments .....	(e) .....14,814	.....52,317
7	Derivative instruments .....	(f) .....0	.....0
8.	Other invested assets .....	.....10,000	.....10,000
9.	Aggregate write-ins for investment income .....	.....0	.....391,790
10.	Total gross investment income .....	15,738,638	16,011,232
11.	Investment expenses .....		(g) .....1,802,176
12.	Investment taxes, licenses and fees, excluding federal income taxes .....		(g) .....0
13.	Interest expense .....		(h) .....0
14.	Depreciation on real estate and other invested assets .....		(i) .....0
15.	Aggregate write-ins for deductions from investment income .....		.....0
16.	Total deductions (Lines 11 through 15) .....		.....1,802,176
17.	Net investment income (Line 10 minus Line 16)		14,209,056
DETAILS OF WRITE-INS			
0901.	Interest income - miscellaneous .....	.....0	.....391,790
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	.....0	.....0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	391,790
1501.	.....		
1502.	.....		
1503.	.....		
1598.	Summary of remaining write-ins for Line 15 from overflow page .....		.....0
1599.	Totals (Lines 1501 thru 1503 plus 1598) (Line 15, above)		0

- (a) Includes \$ .....256,679 accrual of discount less \$ .....6,745,697 amortization of premium and less \$ .....3,228,759 paid for accrued interest on purchases.
- (b) Includes \$ .....0 accrual of discount less \$ .....0 amortization of premium and less \$ .....0 paid for accrued dividends on purchases.
- (c) Includes \$ .....0 accrual of discount less \$ .....0 amortization of premium and less \$ .....0 paid for accrued interest on purchases.
- (d) Includes \$ .....0 for company's occupancy of its own buildings; and excludes \$ .....0 interest on encumbrances.
- (e) Includes \$ .....492 accrual of discount less \$ .....80,096 amortization of premium and less \$ .....33,758 paid for accrued interest on purchases.
- (f) Includes \$ .....0 accrual of discount less \$ .....0 amortization of premium.
- (g) Includes \$. .....0 investment expenses and \$ .....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ .....0 interest on surplus notes and \$ .....0 interest on capital notes.
- (i) Includes \$ .....0 depreciation on real estate and \$ .....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4	5
		Realized Gain (Loss) On Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds .....	(4,005,227)	0	(4,005,227)	(3,338)	0
1.1	Bonds exempt from U.S. tax .....	0	0	0	0	0
1.2	Other bonds (unaffiliated) .....	5,609,341	0	5,609,341	(2,221)	0
1.3	Bonds of affiliates .....	0	0	0	0	0
2.1	Preferred stocks (unaffiliated) .....	0	0	0	0	0
2.11	Preferred stocks of affiliates .....	0	0	0	0	0
2.2	Common stocks (unaffiliated) .....	23,085,779	0	23,085,779	(6,105,448)	0
2.21	Common stocks of affiliates .....	0	0	0	0	0
3.	Mortgage loans .....	0	0	0	0	0
4.	Real estate .....	0	0	0	0	0
5.	Contract loans .....	0	0	0	0	0
6.	Cash, cash equivalents and short-term investments .....	9,614	0	9,614	0	0
7.	Derivative instruments .....	0	0	0	0	0
8.	Other invested assets .....	0	0	0	34,062,879	0
9.	Aggregate write-ins for capital gains (losses) .....	0	0	0	0	0
10.	Total capital gains (losses)	24,699,507	0	24,699,507	27,951,872	0
DETAILS OF WRITE-INS						
0901.	.....					
0902.	.....					
0903.	.....					
0998.	Summary of remaining write-ins for Line 9 from overflow page .....	0	0	0	0	0
0999.	Totals (Lines 0901 thru 0903 plus 0998) (Line 9, above)	0	0	0	0	0

EXHIBIT OF NON-ADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D) .....	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks .....	0	0	0
2.2 Common stocks .....	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens .....	0	0	0
3.2 Other than first liens.....	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company .....	0	0	0
4.2 Properties held for the production of income.....	0	0	0
4.3 Properties held for sale .....	0	0	0
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2) and short-term investments (Schedule DA) .....	0	0	0
6. Contract loans .....	0	0	0
7. Derivatives (Schedule DB) .....	0	0	0
8. Other invested assets (Schedule BA) .....	166,667	166,667	0
9. Receivables for securities .....	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL) .....	0	0	0
11. Aggregate write-ins for invested assets .....	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	166,667	166,667	0
13. Title plants (for Title insurers only) .....	0	0	0
14. Investment income due and accrued .....	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection .....	4,111,754	3,304,843	(806,911)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due .....	0	0	0
15.3 Accrued retrospective premiums .....	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers .....	0	0	0
16.2 Funds held by or deposited with reinsured companies .....	0	0	0
16.3 Other amounts receivable under reinsurance contracts .....	0	0	0
17. Amounts receivable relating to uninsured plans .....	4,585,896	0	(4,585,896)
18.1 Current federal and foreign income tax recoverable and interest thereon .....	0	0	0
18.2 Net deferred tax asset .....	0	0	0
19. Guaranty funds receivable or on deposit .....	0	0	0
20. Electronic data processing equipment and software .....	126,302,405	101,974,200	(24,328,205)
21. Furniture and equipment, including health care delivery assets .....	5,607,350	4,841,074	(766,276)
22. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0	0
23. Receivable from parent, subsidiaries and affiliates .....	0	0	0
24. Health care and other amounts receivable .....	15,353,302	10,469,176	(4,884,126)
25. Aggregate write-ins for other than invested assets .....	96,867,671	127,892,584	31,024,913
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	252,995,045	248,648,544	(4,346,501)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	0	0	0
28. Total (Lines 26 and 27) .....	252,995,045	248,648,544	(4,346,501)
<b>DETAILS OF WRITE-INS</b>			
1101. ....	0	0	0
1102. ....	0	0	0
1103. ....	0	0	0
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0
1199. Totals (Lines 1101 thru 1103 plus 1198)(Line 11 above) .....	0	0	0
2501. Prepaid Expenses - Non-admitted .....	47,301,159	42,863,121	(4,438,038)
2502. Pension - Prepaid .....	49,566,512	85,029,463	35,462,951
2503. ....	0	0	0
2598. Summary of remaining write-ins for Line 25 from overflow page .....	0	0	0
2599. Totals (Lines 2501 thru 2503 plus 2598)(Line 25 above) .....	96,867,671	127,892,584	31,024,913

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations .....	0	0	0	0	0	0
2. Provider Service Organizations .....	0	0	0	0	0	0
3. Preferred Provider Organizations .....	692,993	672,682	667,844	662,487	652,826	7,991,409
4. Point of Service .....	28,971	22,357	19,651	16,157	13,980	224,434
5. Indemnity Only .....	32,090	34,392	34,254	33,443	32,748	406,253
6. Aggregate write-ins for other lines of business.....	48,994	29,364	29,037	29,011	28,910	350,462
7. Total	803,048	758,795	750,786	741,098	728,464	8,972,558
DETAILS OF WRITE-INS						
0601. Stoploss .....	48,994	29,364	29,037	29,011	28,910	350,462
0602. ....						
0603. ....						
0698. Summary of remaining write-ins for Line 6 from overflow page .....	0	0	0	0	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above)	48,994	29,364	29,037	29,011	28,910	350,462

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The financial statements of Group Hospitalization and Medical Services, Inc. (GHMSI or the Company) are presented on the basis of accounting practices prescribed by the District of Columbia Department of Insurance, Securities and Banking (DISB).

The DISB recognizes only statutory accounting practices prescribed or permitted by the District of Columbia for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the District of Columbia Insurance Law. The National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures* manual (NAIC SAP) has been adopted as a component of prescribed or permitted practices by the District of Columbia. The Company does not utilize any permitted practices.

For the years ended 2013 and 2012, there were no differences in net income (loss) and surplus between NAIC SAP and practices prescribed by the District of Columbia.

NET INCOME/(LOSS)	State of Domicile	(in thousands)	
		2013	2012
(1) State basis (Page 4, Line 32, Columns 2 & 3)	DC	\$ 8,983	\$ (7,516)
(2) State Prescribed Practices that increase/(decrease) NAIC SAP		-	-
(3) State Permitted Practices that increase/(decrease) NAIC SAP		-	-
(4) NAIC SAP (1-2-3=4)	DC	<u>\$ 8,983</u>	<u>\$ (7,516)</u>
SURPLUS			
(5) State basis (Page 3, Line 33, Columns 3&4)	DC	\$ 934,751	\$ 941,071
(6) State Prescribed Practices that increase/(decrease) NAIC SAP		-	-
(7) State Permitted Practices that increase/(decrease) NAIC SAP		-	-
(8) NAIC SAP (5-6-7=8)	DC	<u>\$ 934,751</u>	<u>\$ 941,071</u>

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with statutory accounting practices requires management to make estimates and assumptions that affect the reported amounts in the accompanying statutory-basis financial statements and disclosures. Actual results could differ from those estimates.

C. Accounting Policy

Investments

Investment securities are carried in accordance with valuation criteria established by the NAIC, i.e. stocks (other than investments in subsidiaries) are carried at fair value and bonds at amortized cost. Adjustments reflecting the, revaluation of stocks at the statement date are charged to unassigned funds (surplus), unless the adjustments are losses deemed to be other than temporary.

The Company periodically performs evaluations, on a lot-by-lot and security-by-security basis, of its investment holdings to evaluate whether any declines in the fair value of investments are other than temporary. This evaluation consists of a review of several factors, including but not limited to: length of time and extent that a security has been in an unrealized loss position; the existence of an event that would impair the issuer's future earnings potential; the near term prospects for recovery of the fair value of a security; and the intent and ability of the Company to hold the security until the fair value recovers. These reviews were conducted pursuant to the applicable Statements of Statutory Accounting Principles (SSAPs).

For equity securities and non mortgage-backed/asset-backed securities, the Company considers the various factors described above, including its intent and ability to hold the security for a period of time sufficient for recovery to its cost. Where the Company lacks the intent or ability, the security's decline in fair value is deemed to be other than temporary and the entire difference between fair value and cost is recognized in investment income, net.

For mortgage-backed and asset-backed securities, the Company applies SSAP No. 43R *Loan-backed and Structured Securities*. Accordingly, any non-interest related impairment related to mortgage-backed and asset-backed securities that the Company does not intend to sell and has the intent and ability to retain until recovery is recognized in investment income, net, with the interest related impairment recognized in capital and surplus.

For mortgage-backed and asset-backed securities where the fair value is less than amortized cost, and that are not deemed to have non-interest related declines, the Company has asserted that it has the intent and ability to retain the investment before recovery of its amortized cost basis. If such an assertion had not been made, the security's decline in fair value would be deemed to be other than temporary and the entire difference between fair value and amortized cost would be recognized in investment income, net.

For mortgage-backed and asset-backed securities, the difference between the projected future cash flows expected to be collected and the amortized cost basis is recognized as non-interest related other than temporary impairment (OTTI) in investment income, net. The Company uses its best estimate of the present value of cash flows expected to be collected from the security to determine the amount of non-interest loss. If fair value is less than the projected future cash flows expected to be collected, the interest related OTTI is recorded in capital and surplus.



## NOTES TO FINANCIAL STATEMENTS

When determining the collectability and the period over which the mortgage-backed and asset-backed securities are expected to recover, additional considerations are made when assessing the unique features that apply to certain structured securities such as residential mortgage-backed, commercial mortgage-backed and asset-backed securities. These additional features include, but are not limited to: the quality of underlying collateral; expected prepayment speeds; current and forecasted loss severity; consideration of payment terms of underlying assets backing a particular security; and the payment priority within the tranche structure of the security.

Based on its evaluation, the Company has determined that there is no OTTI for bonds and stocks for the years ended December 31, 2013 and 2012.

### Cash and Short-Term Investments

Cash and short-term investments consist of cash balances and short-term, highly liquid investments with remaining maturities of one year or less at the time of acquisition. Short-term investments are principally stated at amortized cost. In accordance with the Company's cash management policy of maximizing the amount of funds invested in income-earning assets, the Company routinely anticipates the timing and amount of future cash flows. This policy frequently results in the existence of negative book cash balances.

### Bonds

Bonds consist primarily of U.S. Treasury and other U.S. government agencies securities, state and municipal securities, foreign governments securities (U.S. dollar-denominated), corporate bonds, mortgage-backed securities and asset-backed securities.

Bonds not backed by other loans are carried at amortized cost, except in cases where NAIC designation requires them to be carried at the lower of cost or fair value. Fair values for bonds are based on quoted market prices for the same or similar investments (refer to Note 20). Changes in admitted asset carrying amounts of bonds, aside from OTTI, are charged directly to capital and surplus.

Mortgage-backed securities that are included within bonds are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from external sources and are based on the current interest rate and economic environment. The prospective adjustment method is used to value all such securities (refer to Note 20).

### Stocks

Investments in unaffiliated common stock, primarily in publicly traded index funds, are carried at fair value. The fair values for common stocks are based on quoted market prices (refer to Note 20). Changes in admitted asset carrying amounts of stocks, aside from OTTI, are charged directly to capital and surplus.

Redeemable preferred stocks are carried at cost, except in cases where NAIC designation requires them to be carried at lower of cost or fair value. Perpetual preferred stocks are valued using unit prices as reported in NAIC Valuations of Securities Manual except in cases where NAIC designation requires them to be carried at lower of cost or fair value (refer to Note 20).

### Investment Dispositions

A primary objective in the management of the bond and stock portfolios is to maximize total return relative to underlying liabilities and respective liquidity needs. In achieving this goal, assets may be sold to take advantage of market conditions or other investment opportunities, as well as tax considerations. Sales will generally produce realized gains and losses. In the ordinary course of business, the Company may sell securities for a number of reasons, including, but not limited to: (i) changes to the investment environment; (ii) expectation that the fair value could deteriorate further; (iii) desire to reduce exposure to an issuer or an industry; (iv) changes in credit quality; and (v) changes in expected cash flow. For purpose of computing realized gains and losses, the specific-identification method of determining cost was used.

### Other Invested Assets

Other invested assets include the Company's member equity in its affiliate, CareFirst Holdings, LLC (CFH). CFH and its non-insurance subsidiaries are reported at their underlying audited GAAP equity. CFH's regulated insurance subsidiaries are reported at their underlying audited statutory surplus.

### Risk Concentrations

Financial instruments that potentially subject the Company to credit risk consist primarily of investment securities and receivables. The Company receives advice through or assigns direct management of investments to professional investment managers selected for their expertise in various markets, within guidelines established by the Board of Directors. These guidelines include broad diversification of investments. Aside from the Federal Employee Program (FEP) discussed below, concentrations of credit risk and business volume with respect to commercial receivables are generally limited due to the large number of employer groups comprising the Company's customer base. As of December 31, 2013 and 2012, except for FEP, there were no significant concentrations of financial instruments in a single investee, industry or geographic location.

### Health Care and Other Amounts Receivable

Health care and other amounts receivable consists of pharmacy rebates receivable, advances to providers, amounts due from the Office of Personnel Management (OPM) under the FEP contracts (refer to Summary of Significant Accounting Policies – Federal Employee Program), and other miscellaneous receivables.

The Company has established its own pharmacy rebate contracts and assumed the responsibility, with the assistance of a third party, for billing and collecting all pharmaceutical company rebates. The Company accounts for pharmacy rebates in accordance with SSAP No. 84, Certain Health Care Receivables and Receivables Under Government Insured Plans

## **NOTES TO FINANCIAL STATEMENTS**

(SSAP 84). Per SSAP 84, pharmacy rebates may consist of estimated amounts and billed amounts. Any estimated amounts shall relate to actual prescriptions filled during the three months immediately preceding the reporting date. Any billed amounts that have not been collected within 90 days of the invoice date shall be nonadmitted.

The Company has advances on deposit with certain regulated hospitals in the state of Maryland. These advances permit the Company to earn discounts of 2.25% and 2.00% of allowed inpatient and outpatient charges, respectively, by these hospitals. These provider advances are reported at their realizable value.

### **Property and Equipment Admitted**

The admitted value of the Company's electronic data processing equipment and software is limited to 3% of capital and surplus as of September 30, 2013 excluding any electronic data processing equipment and net deferred tax assets. Electronic data processing equipment and software is depreciated using the straight-line method over the lesser of its useful life or three years. Depreciation and amortization expense for electronic data processing equipment is included as a component of general and administrative expenses. There have not been any changes to the Company's capitalization policy or the related predefined thresholds from the prior period.

### **Unpaid losses and loss adjustment expenses**

The Company pays fees based upon negotiated contractual fee schedules to medical providers that provide physician and hospital services. The Company also negotiates contractual agreements with certain physicians and medical management groups to provide health care services to its members. Cost of care is recognized in the period in which members receive medical services. In addition to actual benefits paid, cost of care includes the impact of accruals for estimates of reported and unreported claims, which are unpaid as of the balance sheet dates.

The liability for medical claims payable is computed in accordance with generally accepted actuarial practices and is based upon past claims payment experience, together with other current factors which, in management's judgment, require recognition in the calculation. The Company develops its estimates for medical care services incurred but not reported using an actuarial process that is consistently applied.

The actuarial models consider factors such as time from the dates of service to claims receipt, claims backlogs, seasonal variances in medical care consumption, provider rate changes, medical care utilization and other medical cost trends, membership volume and demographics and other factors. Depending on the health care provider and type of service, the typical billing lag for services can vary significantly. Substantially all claims related to medical care services are known and settled within twelve months from the date of service.

The Company regularly re-examines its previously established unpaid claims estimates based on actual claim submissions and other changes in facts and circumstances. Due to the uncertainties inherent in the claims estimation process, it is at least reasonably possible that the actual claims paid could differ materially from the amounts accrued in the accompanying balance sheets – statutory basis.

### **Premium Deficiency Reserve**

Premium deficiency reserve represents the Company's estimate of the amount that the expected incurred claims, claims adjustment expenses and certain general administrative costs exceed the expected premiums earned for the remainder of the contract period of the Company's in-force policies. For purposes of calculating the premium deficiency reserve, contracts are deemed to be short duration and are grouped in a manner consistent with the Company's method of marketing, servicing and measuring the profitability of such contracts. Once established, the premium deficiency reserve is released commensurate with actual claims experience over the remainder of the contract period. The Company does not consider anticipated investment income when calculating the reserve. The most recent evaluation date of this reserve is at December 31, 2013. The premium deficiency reserve is recorded as an offset to premiums earned and is included in the aggregate health policy reserves. The Company recorded a premium deficiency reserve in the amount of \$940,000 and \$11,420,000 as of December 31, 2013 and 2012, respectively.

### **Medical Loss Ratio Rebates**

Health Reform Legislation established minimum medical loss ratio (MLR) regulations that require payment of premium rebates (MLR rebates) to employers and individuals covered under the Company's comprehensive medical insurance if certain minimum MLRs (85% for large group, 80% for small group and 80% for individual under 65) are not met. The MLR rebates are measured by jurisdiction at the market segment level (large group, small group and individual under 65). As of December 31, 2013 and 2012, the Company did not record an MLR rebate accrual. In 2013, the Company paid \$0 of the 2012 rebates. In addition, the Company paid \$1,989,000 related to the correction of the 2011 MLR filing.

### **Revenue recognition**

Premiums are recognized as earned on a monthly basis for the period the health care coverage is in effect. Premiums received in advance represent prepayments of premiums for future health care coverage.

Uncollected premiums primarily represent unpaid amounts earned from insured groups and individuals. A provision is made for potential adjustments, which arise as a result of review by management.

The Company participates with other BlueCross and BlueShield plans in administering certain health care benefit plans of various national accounts. Administrative fees are generally recognized as earned and are recorded as a reduction of general and administrative expenses.

### **Administrative Service Contracts**

## NOTES TO FINANCIAL STATEMENTS

The Company has administrative service contracts (ASC) with certain customers, under which the Company earns fees for processing medical claims, and is reimbursed for the cost of such claims. The gross administrative fees earned from these administrative service contracts have been included as an offset to general and administrative expenses.

### Federal Employee Program

The Company participates in the Federal Employee Health Benefits Program (FEHBP) with other BlueCross BlueShield plans. This program includes an experience-rated contract between the OPM and the BlueCross BlueShield Association (BCBSA), which acts as an agent for the participating BlueCross BlueShield plans. In addition, each participating plan, including the Company, executes a contract with the BCBSA which obligates each participating plan to underwrite FEP benefits in its service area. Premium rates are developed by BCBSA and approved by OPM annually. These rates determine the funds that will be available to the participating BlueCross BlueShield plans to provide insurance to Federal employees that enroll with the BlueCross BlueShield FEHBP.

The excess of gross premiums for the life of the program over the charges for the life of the program on an accrual basis is considered the special reserve under the contract between OPM and BCBSA. Each year, OPM also allocates additional funds to a contingency reserve which may be utilized by the participating plans in the event that funds set aside from annual premiums are insufficient or fall below certain prescribed levels by OPM. Funds available to each participating BlueCross BlueShield plan, including the special reserve and the contingency reserve, are held at the U.S. Treasury, including amounts unused from prior periods. Any funds which remain unused upon termination of the BCBSA contract after the claims run-out and reimbursement of allowable administrative expenses would be returned to OPM for the benefit of the FEHBP. The BCBSA contract renews automatically each year unless written notice of termination is given by either party.

In accordance with the BCBSA contract, OPM holds the unused funds on behalf of the Company to provide funding for claims, administrative expenses, and other charges to the contract. The Company, along with other BlueCross BlueShield Plans who participate in the FEHBP contract, have an unrestricted right to draw funds being held in the special reserve for any valid claim or expense. BCBSA has reported the amounts being held in the special reserve as \$5,818,891,000 and \$5,951,829,000, as of December 31, 2013 and 2012, respectively. BCBSA has also reported the amounts being held in the contingency reserve as \$9,026,189,000 as of September 30, 2013 and \$8,110,075,000 as of December 31, 2012. Amounts incurred in excess of the total reserves held at the U.S. Treasury for the FEHBP would not be reimbursed to the Company.

Based upon formulas developed by the BCBSA, the Company has recorded its allocable share of the special reserve being held by OPM as an asset, with an equivalent amount recorded as a rate stabilization reserve, which are included in health care and other amounts receivable and aggregate health policy reserves, respectively. These amounts are \$680,234,000 and \$717,708,000 as of December 31, 2013 and 2012, respectively.

FEP revenue earned were \$1,813,997,000 and \$1,777,754,000 for the years ended December 31, 2013 and 2012, respectively.

### FEP Operations Center

Service Benefit Plan Administrative Services Corporation (SBP), a subsidiary of GHMSI, was created to operate the FEP Operations Center under a contract with BCBSA. SBP is 90% owned by GHMSI and 10% owned by BCBSA.

SBP performs certain administrative functions as the national operations center for the FEP under its ten-year cost reimbursement contract, which was effective January 1, 2005, with BCBSA. The reimbursement of allocable costs under this contract is allocated to CFMI and the Company and recorded as a reduction of general and administrative expenses. FEP reimbursed the Company for costs incurred in connection with this agreement totaling \$115,513,000 and \$105,089,000 for the years ended December 31, 2013 and 2012, respectively.

## 2. Accounting Changes and Corrections of Errors

### Changes in Accounting Principles

In November 2011, the NAIC adopted SSAP No. 101 *Income Taxes, A Replacement of SSAP No. 10R and SSAP No. 10* (SSAP 101). SSAP 101 contains many of the same provisions as the Financial Accounting Standards Board (FASB) Accounting Standards Codification 740, *Accounting for Income Taxes*, with modifications for state income taxes, the realization criteria for deferred tax assets, and the recording of changes in deferred tax balances. The guidance requires companies to determine whether it is “more likely than not” that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the tax benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest and penalties. The Company adopted SSAP 101 effective January 1, 2012, and recorded a decrease to surplus of \$39,698,000.

In March 2012, the NAIC adopted SSAP No. 92 *Accounting for Postretirement Benefits Other Than Pensions, A Replacement of SSAP No. 14* (SSAP 92) and SSAP No. 102 *Accounting for Pensions, A Replacement of SSAP No. 89* (SSAP 102). These SSAPs adopt, with modification, the FASB Accounting Standards Codification 715 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. The primary focus of SSAP 92 and SSAP 102 is to recognize the funded status of a defined benefit postretirement plan in the balance sheets. The SSAPs require elements of plan costs to either be recognized as expense components during the current period, or as adjustments to surplus with future amortization into expense. The SSAPs also eliminate the exclusion of non-vested employees in accounting for a defined benefit postretirement plan. SSAP 92 and SSAP 102 were effective January 1, 2013, with early adoption permitted and the ability to elect a ten-year phase-in period. The Company adopted SSAP 92 and SSAP 102 effective January 1, 2013, and recorded a decrease to surplus of \$2,174,000, net of taxes (refer to Note 12).

## 3. Business Combinations and Goodwill

NOTES TO FINANCIAL STATEMENTS

Not applicable.

4. Discontinued Operations

Not applicable.

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

None.

B. Debt Restructuring

None.

C. Reverse Mortgages

None.

D. Loan-backed Securities

- (1) The Company records its investment in loan-backed securities using the prospective adjustment method. Prepayment assumptions for single and multi-class mortgage-backed/other asset-backed securities are obtained from broker survey values. The Company uses IDC to determine the fair value for such securities.
- (2) The Company does not have any mortgage-backed/other asset-backed securities which are other-than-temporarily impaired where the Company intends to sell, or does not have the intent and ability to hold until recovery.
- (3) For the year ended December 31, 2013, the Company did not recognize OTTI in mortgage-backed/other asset-backed securities that the Company has the intent to hold, but does not expect to recover the entire amortized cost basis of the securities. At December 31, 2013, the Company did not hold any mortgage-backed or other asset-backed securities where the present value of cash flows expected to be collected is less than the amortized cost basis.
- (4) The following table shows the gross unrealized losses and fair value of the Company's mortgage-backed/other asset-backed securities with unrealized losses that are not deemed to be other than temporarily impaired, aggregated by investment category and by length of time that individual securities have been in a continuous unrealized loss position (*in thousands*).

	Fair Value < 1 Year	Unrealized Losses < 1 Year	Fair Value > 1 Year	Unrealized Losses > 1 Year	Total Unrealized Losses
<b>December 31, 2013</b>					
Government sponsored enterprise mortgage-backed securities	\$ 56,312	\$ 1,437	\$ 37,771	\$ 2,004	\$ 3,441
Other mortgage-backed and asset-backed securities	18,254	442	14,066	691	1,133
Total	<u>\$ 74,566</u>	<u>\$ 1,879</u>	<u>\$ 51,837</u>	<u>\$ 2,695</u>	<u>\$ 4,574</u>

	Fair Value < 1 Year	Unrealized Losses < 1 Year	Fair Value > 1 Year	Unrealized Losses > 1 Year	Total Unrealized Losses
<b>December 31, 2012</b>					
Government sponsored enterprise mortgage-backed securities	\$ 63,279	\$ 516	\$ 2,382	\$ 44	\$ 560
Other mortgage-backed and asset-backed securities	2,624	3	2,890	100	103
Total	<u>\$ 65,903</u>	<u>\$ 519</u>	<u>\$ 5,272</u>	<u>\$ 144</u>	<u>\$ 663</u>

- (5) See Note 1 *Accounting Policy – Investments*

E. Repurchase Agreements and/or Securities Lending Transactions

None.

F. Real Estate

None.

G. Low-Income Housing Tax Credits (LIHTC)

None.

NOTES TO FINANCIAL STATEMENTS

H. Restricted Assets

None.

6. Joint Ventures, Partnerships and Limited Liability Companies

- A. The Company has no investments in unaffiliated joint ventures, partnerships or limited liability companies that exceed 10% of its admitted assets.
- B. The Company did not recognize any impairment write down for its investment in limited liability companies or limited partnership during the statement periods.

7. Investment Income

- A. Investment income due and accrued is excluded from surplus when amounts are over 90 days past due or collection is uncertain.
- B. No amount of investment income due and accrued was non-admitted and excluded from surplus as of December 31, 2013 and 2012.

8. Derivative Instruments

None.

9. Income Taxes

The Company is included in the consolidated federal income tax return of CFI. The federal statutory income tax rate for the Company is 35%. For federal income tax purposes, the Company benefits from a special deduction provided to certain BlueCross and BlueShield organizations under Internal Revenue Code Section 833(b) (the 833(b) deduction).

The 833(b) deduction results in the Company incurring income taxes at the Tentative Minimum Tax rate of 20%. As a result, the Company's income tax provision is reduced from the statutory rate of 35% to account for the benefit of the 833(b) deduction. The Company could lose the benefit of the 833(b) deduction in the future if there is a change in the tax law, if the Company ceases to be not-for-profit, if the Company's reserves reach certain levels, if the medical loss ratio does not exceed 85% as required under the Health Reform Legislation, or if certain other events occur. If the Company can no longer use the 833(b) deduction, the Company will incur federal income taxes at the statutory rate of 35%, net of available Alternative Minimum Tax (AMT) credits.

CFI has a written agreement, approved by the Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidated return. The tax sharing agreement calls for allocation of current federal income tax liability to the Company on the basis of the percentage of the consolidated federal income tax liability attributable to the Company computed on a separate company basis to the total consolidated federal income tax liability. The agreement also provides that to the extent the Company's tax attributes (e.g., NOLs) reduce the consolidated federal income tax liability, CFI shall pay the Company for use of such attributes in the year utilized. Amounts due from the subsidiaries for federal income taxes are settled quarterly.

Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The following table shows the components of the net deferred tax asset and deferred tax liability recognized in the Company's financial statements by tax character (*in thousands*):

	December 31, 2013			December 31, 2012			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Gross deferred tax assets	\$ 156,848	\$ 25,611	\$ 182,459	\$ 128,325	\$ 24,150	\$ 152,475	\$ 28,523	\$ 1,461	\$ 29,984
Statutory valuation allowance adjustment	118,184	-	118,184	110,103	-	110,103	8,081	-	8,081
Adjusted gross deferred tax assets	38,664	25,611	64,275	18,222	24,150	42,372	20,442	1,461	21,903
Deferred tax assets nonadmitted	21,838	324	22,162	-	-	-	21,838	324	22,162
Subtotal net admitted deferred tax asset	16,826	25,287	42,113	18,222	24,150	42,372	(1,396)	1,137	(259)
Deferred tax liabilities	1,157	63,308	64,465	11	55,121	55,132	1,146	8,187	9,333
Net admitted deferred tax asset/(liability)	\$ 15,669	\$ (38,021)	\$ (22,352)	\$ 18,211	\$ (30,971)	\$ (12,760)	\$ (2,542)	\$ (7,050)	\$ (9,592)

NOTES TO FINANCIAL STATEMENTS

The amount of admitted adjusted gross deferred tax assets are as follows (*in thousands*):

	December 31, 2013			December 31, 2012			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
a. Federal Income Taxes Paid In Prior Years Recoverable Through Loss Carrybacks	\$ -	\$ -	\$ -	\$ 4,604	\$ -	\$ 4,604	\$ (4,604)	\$ -	\$ (4,604)
b. Adjusted Gross Deferred Tax Assets Expected To Be Realized (Excluding The Amount Of Deferred Tax Assets from a, above) After application of the Threshold Limitation. (Lesser of b.i. and b.ii. Below)	11,040	-	11,040	7,656	2,154	9,810	3,384	(2,154)	1,230
i. Adjusted gross DTA expected to be realized following the Balance Sheet Date	11,040	-	11,040	7,656	2,154	9,810	3,384	(2,154)	1,230
ii. Adjusted Gross Deferred Tax Assets Allowed per Limitation Threshold	NA	NA	140,213	NA	NA	139,705	NA	NA	508
c. Adjusted Gross Deferred Tax Assets (Excluding The Amount of Deferred Tax Assets From a. and b. above) Offset by Gross Deferred Tax Liabilities.	5,786	25,287	31,073	5,951	(33,125)	(27,174)	(165)	58,412	58,247
d. Deferred Tax Asset Admitted as the result of application of SSAP No. 101 Total (a.+b.+c.)	\$ 16,826	\$ 25,287	\$ 42,113	\$ 18,211	\$ (30,971)	\$ (12,760)	\$ (1,385)	\$ 56,258	\$ 54,873

	2013	2012
Ratio Percentage Used To Determine Recovery Period And Threshold Limitation Amount	932%	15%
Amount Of Adjusted Capital And Surplus Used To Determine Recovery Period And Threshold Limitation	\$ 934,751	\$ 931,369

The impact of tax planning strategies on adjusted gross DTA's and net admitted DTA's is as follows (*in thousands*):

	12/31/2013			12/31/2012			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Adjusted Gross DTAs	\$ 38,664	\$ 25,611	\$ 64,275	\$ 18,222	\$ 24,150	\$ 42,372	\$ 20,442	\$ 1,461	\$ 21,903
Percentage of Adjusted Gross DTAs	0%	0%	0%	0%	57%	57%	0%	-57%	-57%
Net Admitted Adjusted Gross DTAs	\$ 16,826	\$ 25,287	\$ 42,113	\$ 18,222	\$ 24,150	\$ 42,372	\$ (1,396)	\$ 1,137	\$ (259)
Percentage of Net Admitted Adjusted Gross DTAs	0%	0%	0%	0%	0%	0%	0%	0%	0%

The Company’s tax-planning strategy does not include the use of reinsurance.

The (benefit)/provision for income taxes on earnings for the years ended December 31, 2013 and 2012 are as follows (*in thousands*):

	Dec. 31, 2013	Dec. 31, 2012
Federal benefit	\$ (10,539)	\$ (3,837)
Federal income tax on net capital gains	4,940	4,995
Federal income taxes (benefit)/incurred	\$ (5,599)	\$ 1,158

## NOTES TO FINANCIAL STATEMENTS

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows (in thousands):

<b>Deferred Tax Assets:</b>	<b><u>Dec. 31, 2013</u></b>	<b><u>Dec. 31, 2012</u></b>	<b><u>Change</u></b>
<b>Ordinary</b>			
Benefit Obligations	\$ 23,533	\$ 6,738	\$ 16,795
Unpaid Claims	1,588	1,032	556
Accrued Expenses	7,443	4,188	3,255
Nonadmitted Assets	27,544	-	27,544
AMT Credits	88,391	-	88,391
Other	8,349	6,264	2,085
Subtotal	156,848	18,222	138,626
Statutory valuation allowance adjustment	118,184	-	118,184
Nonadmitted	21,838	-	21,838
Admitted ordinary deferred tax assets	16,826	18,222	(1,396)
<b>Capital</b>			
Investments	25,611	3,769	21,842
AMT Credits	-	20,381	(20,381)
Subtotal	25,611	24,150	1,461
Statutory valuation allowance adjustment	-	-	-
Nonadmitted	324	-	324
Admitted capital deferred tax assets	25,287	24,150	1,137
Admitted deferred tax assets	42,113	42,372	(259)
<b>Deferred Tax Liabilities:</b>			
<b>Ordinary</b>			
Accrued Expenses	1,147	-	1,147
Unpaid Claims	10	11	(1)
Subtotal	1,157	11	1,146
<b>Capital</b>			
Investments	4,872	6,279	(1,407)
Investment in affiliate	58,436	48,842	9,594
Subtotal	63,308	55,121	8,187
Deferred Tax Liabilities	64,465	55,132	9,333
Net deferred tax liabilities	\$ (22,352)	\$ (12,760)	\$ (9,592)

Deferred tax assets are reflected as admitted assets, subject to certain limitations. The components of the net deferred tax asset recognized in the Company's balance sheets—statutory basis are as follows (*in thousands*):

	<b><u>Dec. 31, 2013</u></b>	<b><u>Dec. 31, 2012</u></b>	<b><u>Change</u></b>
Adjusted gross deferred tax assets	\$ 64,275	\$ 42,372	\$ 21,903
Total deferred tax liabilities	64,465	55,132	(9,333)
Net deferred tax liabilities	\$ (190)	\$ (12,760)	12,570
Tax effect of unrealized gains(losses)			(1,222)
Change in Pension Equity			(5,639)
Investment in Affiliate			6,218
2012 Nonadmitted DTAs netted against gross DTA			(14,841)
Change in net deferred income tax			<u>\$ (2,915)</u>

NOTES TO FINANCIAL STATEMENTS

The reconciliation of the federal income tax rate to the actual effective rate is as follows (*in thousands*):

	Dec. 31, 2013	Effective Tax Rate
Provision computed at statutory rate	\$ 1,184	35.00%
GAAP/STAT Various	(1,435)	-42.47%
GAAP/STAT Fixed Assets & Software	(4,439)	-131.20%
Permanent book to tax and other reserve adjustment	216	6.39%
Change in Equity Item Valuation Allowance	(483)	-14.26%
Changes in Valuation Allowance	8,081	238.85%
Other Nonadmitted assets	(5,808)	-171.65%
Total	<u>\$ (2,684)</u>	<u>-79.34%</u>
Federal income taxes benefit	\$ (5,599)	-165.48%
Change in net deferred income taxes	2,915	86.15%
Total statutory income taxes	<u>\$ (2,684)</u>	<u>-79.34%</u>

The Company is subject to examination by the Internal Revenue Service and state taxing authorities. In general, the Company’s tax years 2010 and forward remain open under the statutes of limitation and subject to examination.

The Company is exempt from all state income taxes in the jurisdictions for which it is registered to do business.

10. Information Concerning Parent, Subsidiaries and Affiliates

Group Hospitalization and Medical Services, Inc. (GHMSI or the Company) is a not-for-profit company that provides a comprehensive array of health insurance and managed care products and services primarily through indemnity health insurance, health maintenance organization coverage and health benefits administration. Other products and services include preferred provider and point-of-service networks, third-party administrator services and other managed care services. These products and services are provided to individuals, businesses and governmental agencies primarily in the Washington, D.C. metropolitan area, Northern Virginia and the state of Maryland.

The Company and CareFirst of Maryland, Inc. (CFMI) are both affiliates of a not-for-profit parent company, CareFirst, Inc. (CFI). These affiliates do business as CareFirst BlueCross BlueShield. The Company and CFMI hold joint interests in a holding company, CareFirst Holdings, LLC (CFH). CFH was formed on December 31, 2010 by contributed assets from the Company and CFMI. Since control over CFH operations is vested in CFI, GHMSI determined that neither GHMSI nor CFMI exercise control over CFH. CFH’s wholly-owned subsidiaries include First Care, Inc. (FirstCare), CFA, LLC (CFA), National Capital Insurance Agency, LLC, Capital Area Services Company, LLC (CASC), and CareFirst BlueChoice, Inc. (CFBC) and its subsidiaries. CFH and its subsidiaries are owned 50.001% by CFMI and 49.999% by GHMSI.

The Company’s board approved target risk based capital range is 1000% to 1300% for the year ended December 31, 2013.

As of December 31, 2013 and 2012, the Company’s equity investment in CFH exceeded 10% of the Company’s admitted assets. The financial information for CFH (GAAP-basis) is summarized as follows (*in thousands*):

	December 31	
	2013	2012
Total assets	\$ 1,239,474	\$ 1,174,556
Total liabilities	\$ 370,392	\$ 355,383
Members' equity	869,082	819,173
Total liabilities and members' equity	<u>\$ 1,239,474</u>	<u>\$ 1,174,556</u>

Summarized results of operations for CFH (GAAP-basis) are as follows (*in thousands*):

	Year Ended December 31	
	2013	2012
Net revenue	\$ 2,436,173	\$ 2,200,582
Operating expenses and other, net	(2,363,183)	(2,164,656)
Net income	<u>\$ 72,990</u>	<u>\$ 35,926</u>



**NOTES TO FINANCIAL STATEMENTS**

The Company incurred certain costs on behalf of CFMI, including salaries, claims processing expenses, and professional fees. Similarly, certain costs were incurred by CFMI on behalf of the Company. As a result of an administrative agreement between the Company and CFMI, these amounts were allocated between the companies based on relevant statistical measures. Net charges to the Company for services performed by CFMI were \$146,571,000 and \$129,991,000 for the years ended December 31, 2013 and 2012, respectively. These allocations are included in general and administrative expenses.

The Company has an operating relationship with its subsidiary and CFH, whereby the Company provides administrative and corporate services for which expenses are allocated to the subsidiary and CFH under administrative agreements. Total allocations to the subsidiary and CFH for services provided by the Company were \$91,117,000 and \$82,997,000 for the years ended December 31, 2013 and 2012, respectively. These allocations are netted against general and administrative expenses.

CFI performed a review and analysis of certain intercompany transactions with CFBC. The analysis identified services provided by the Company that should include a profit mark-up on the costs charged to CFBC. Total charges to CFBC for the profit mark-up by the Company were \$8,933,000 and \$8,663,000 for the years ended December 31, 2013 and 2012, respectively. These charges are recorded as a reduction to general and administrative expenses.

CFI performed a review and analysis of certain intercompany transactions with CASCI. The analysis identified services provided by CASCI that should include a profit mark-up on the costs charged to the Company. Total charges from CASCI for the profit mark-up to the Company were \$3,667,000 and \$3,579,000 for the years ended December 31, 2013 and 2012, respectively. These charges are recorded as an increase to general and administrative expenses.

The Company maintains relationships with brokers for CFBC and its subsidiaries. The Company pays broker commissions and incentives for both the Company and CFBC and its subsidiaries, and allocates a portion of these amounts to CFBC and its subsidiaries based upon relevant statistics. Total broker fees allocated to CFBC and its subsidiaries were \$122,036,000 and \$117,923,000 for the years ended December 31, 2013 and 2012, respectively.

The Company bears all of the out-of-network (indemnity) underwriting risk and CFBC bears the in-network (health maintenance organization) underwriting risk for certain fully insured point-of-service health care programs. Cost of care for these products is charged directly to the Company and CFBC based upon the nature of the claims incurred. Premiums on these health care programs are allocated between the Company and CFBC based on actual underwriting results such that the underwriting gain of the health care programs, as a percentage of premiums earned, is shared equally between the two companies. Total premiums allocated from CFBC for these programs were \$5,474,000 and \$11,653,000 for the years ended December 31, 2013 and 2012, respectively.

On March 1, 1999, CFI issued a subordinated surplus note with the Company for \$167,000 and with CFMI for \$333,000. The notes are unsecured and bear interest at 6% per annum, payable in arrears commencing on the initiation date. No payments of principal or interest shall be made on the notes unless and until CFI has sufficient realized earned surplus to make such payment, after providing for its minimum required surplus, all required reserves and other liabilities. In December 2007, the notes were amended to extend the maturity date from January 16, 2008 to January 16, 2018. Principal on these notes, if not paid sooner, shall be due and payable on January 16, 2018. Both interest and principal payments require the prior approval of the Maryland Insurance Administration.

At December 31, 2013 the Company reported \$10,933,000 and \$59,913,000 as amounts due from and due to affiliates, respectively. These amounts are settled monthly.

**11. Debt**

None

**12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans****A. – D. Defined Benefit Plan & Information about Plan Assets**

Prior to December 31, 2002, the Company maintained a qualified noncontributory defined benefit retirement plan covering substantially all full-time employees (the GHMSI Plan). Effective December 31, 2002, the GHMSI Plan merged with a qualified noncontributory defined benefit retirement plan maintained by CFMI (the CFMI Plan) to become the CareFirst, Inc. Retirement Plan (the CFI Plan). Although CFI merged the CFMI and GHMSI plans, it has committed to maintain separate recordkeeping of plan assets and benefit obligations so that it will comply with certain regulatory restrictions that apply to the Company and CFMI. Consistent with the standards for multiple-employer plan accounting, the Company and CFMI have accounted for their net pension obligations as if the plans remained separate. Employees hired on or after January 1, 2009, no longer participate in the CFI Plan. These employees participate in an enhanced 401(k) program.

Based on the accumulated benefit obligation, this qualified noncontributory defined benefit retirement plan was 116.1% and 97.7% funded as of December 31, 2013 and 2012, respectively.

The annual contributions exceeded the minimum funding standards set forth in the Employee Retirement Income Security Act of 1974, as amended. The CFI Plan provides for eligible employees to receive benefits based principally on years of service with the Company and a percentage of compensation prior to normal retirement.

The Company also has nonqualified supplemental retirement benefit plans covering certain officers, which provide for these individuals to receive additional benefits based principally on compensation and years of service. These plans provide for incremental benefit payments so that total benefit payments equal amounts that would have been payable from

NOTES TO FINANCIAL STATEMENTS

the Company’s principal retirement plans if it were not for limitations imposed by the Internal Revenue Service. The Company contributes to the nonqualified pension plans as benefits are paid.

The Company provides certain health care benefits for retired employees. The Company’s postretirement benefit program provides for a specific credit amount, which may be used to purchase health insurance upon retirement. The credit amount is based upon the retiree’s age and years of service with the Company. The Company contributes to the postretirement plan as benefits are paid.

Effective October 1, 2012, two of CFH’s subsidiaries, National Capital Administrative Services, LLC (NCAS) and Willse & Associates, LLC (Willse) merged. Upon the merger, Willse became the surviving entity and changed its name to CFA. In connection with the merger, the pension and postretirement plans’ participants of NCAS were transferred from the GHMSI Plan to the CFMI Plan. As a result, the plan assets (pension plan only) and obligations were transferred from the GHMSI Plan to the CFMI Plan. The amounts of transfer are as follows (*in thousands*):

	Pension Benefits		Other Postretirement Benefits	
	GHMSI	CFMI	GHMSI	CFMI
Plan assets transferred (from) to	\$ (3,273)	\$ 3,273	\$ -	\$ -
Plan obligations transferred (from) to	(2,652)	2,652	(627)	627

The Company uses a December 31 measurement date for determining benefit obligations and fair value of plan assets.

The following table sets forth the obligations, plan assets, funded status, and amounts recognized on the balance sheet for the retirement plans, which include the qualified and nonqualified pension plans described above, and other postretirement plans described above (*in thousands*):

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
<b>Change in benefit obligations</b>				
Benefit obligations at beginning of year	\$ 346,454	\$ 331,789	\$ 21,371	\$ 21,405
Service cost	7,661	8,352	1,142	1,274
Interest cost	12,871	13,070	1,420	829
Contributions by plan participants	-	-	-	-
Actuarial (gains) losses	(26,877)	9,245	135	(611)
Foreign currency exchange rate changes	-	-	-	-
Benefits paid	(18,750)	(16,002)	(1,565)	(1,526)
Plan amendments	98	-	4,474	-
Business combinations, divestitures, curtailments, settlements and special termination benefits	-	-	-	-
Benefit obligations at end of year	\$ 321,457	\$ 346,454	\$ 26,977	\$ 21,371
<b>Change in plan assets</b>				
Fair value of plan assets at beginning of year	\$ 334,907	\$ 304,005	\$ -	\$ -
Actual return on plan assets	51,397	44,143	-	-
Foreign currency exchange rate changes	-	-	-	-
Reporting entity contribution	96	6,034	1,565	1,526
Plan participants' contributions	-	-	-	-
Benefits paid	(18,750)	(16,002)	(1,565)	(1,526)
Business combinations, divestitures and settlements	-	(3,273)	-	-
Fair value of plan assets at end of year	\$ 367,650	\$ 334,907	\$ -	\$ -
<b>Funded status</b>				
Overfunded				
Assets (nonadmitted)				
Prepaid benefit costs	\$ 83,728	\$ 85,029	\$ -	\$ -
Overfunded plan assets	(34,162)	-	-	-
Total assets (nonadmitted)	\$ 49,566	\$ 85,029	\$ -	\$ -
Underfunded				
Liabilities recognized				
Accrued benefits costs	\$ 2,692	\$ 2,505	\$ 24,114	\$ 21,741
Liability for pension benefits	681	9,043	2,863	(370)
Total liabilities recognized	\$ 3,373	\$ 11,548	\$ 26,977	\$ 21,371
Unrecognized liabilities	\$ -	\$ -	\$ -	\$ -

As of December 31, 2013, the unfunded nonqualified pension plans had accumulated benefit obligations and projected benefit obligations in excess of plan assets. These plans had a combined accumulated benefit obligation and projected benefit obligation of \$3,033,000 and \$3,373,000, respectively.

NOTES TO FINANCIAL STATEMENTS

The components of net periodic benefit cost included in the statements of operations are as follows *(in thousands)*:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
Service cost	\$ 7,661	\$ 8,352	\$ 1,142	\$ 1,274
Interest cost	12,871	13,070	1,420	829
Expected return on plan assets	(25,365)	(24,075)	-	-
Transition (asset) or obligation (Gains) and losses	(2,649)	(2,649)	-	283
Prior service cost or (credit)	8,859	9,520	101	-
(Gain) or loss recognized due to a settlement or curtailment	207	190	1,275	-
	-	-	-	-
Net periodic benefit cost for the year ended December 31	\$ 1,584	\$ 4,408	\$ 3,938	\$ 2,386

The amounts in capital and surplus recognized as components of net periodic benefit cost are as follows *(in thousands)*:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
Items not yet recognized as a component of net periodic cost - prior year	\$ 94,072	\$ 109,911	\$ (370)	\$ (33)
Net transition asset or (obligation) recognized	2,649	2,649	-	(566)
Net prior service cost or (credit) arising during the year	98	-	4,474	-
Net prior service (cost) or credit recognized	(207)	(190)	(1,275)	-
Net (gain) and loss arising during the year	(52,910)	(8,778)	135	229
Net gain and (loss) recognized	(8,859)	(9,520)	(101)	-
Items not yet recognized as a component of net periodic cost - current year	\$ 34,843	\$ 94,072	\$ 2,863	\$ (370)

The amounts in capital and surplus expected to be recognized in the next year as components of net periodic benefit cost are as follows *(in thousands)*:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
Net transition (asset) or obligation	\$ (2,649)	\$ (2,649)	\$ -	\$ -
Net prior service cost or (credit)	208	190	276	-
Net recognized (gains) and losses	2,869	10,093	-	-

The amounts in capital and surplus that have not yet been recognized as components of net periodic benefit cost are as follows *(in thousands)*:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
Net transition (asset) or obligation	\$ (28,629)	\$ (31,278)	\$ -	\$ -
Net prior service cost or (credit)	789	898	3,199	-
Net recognized (gains) and losses	62,683	124,452	(336)	(370)
Total	\$ 34,843	\$ 94,072	\$ 2,863	\$ (370)

## NOTES TO FINANCIAL STATEMENTS

The weighted-average assumptions used in calculating the net periodic cost and projected benefit obligations for all plans are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
<b>Weighted-average assumptions used to determine net periodic benefit cost as of December 31</b>				
Weighted-average discount rate <sup>(a)</sup>	3.80%	4.00%	4.00%	4.20%
Expected long-term rate of return on plan assets	7.75% / N/A <sup>(b)</sup>	7.75% / N/A <sup>(b)</sup>	N/A	N/A
Rate of compensation increase	4.00%	4.50%	N/A	N/A
<b>Weighted-average assumptions used to determine projected benefit obligations as of December 31</b>				
Weighted-average discount rate <sup>(a)</sup>	4.70%	3.80%	4.60%	4.00%
Rate of compensation increase	4.00%	4.00%	N/A	N/A

<sup>(a)</sup> The discount rates used were based on an Aa yield curve. The Company used the Aon Hewitt yield curve for the years ended December 31, 2013 and 2012.

<sup>(b)</sup> As of December 31, 2013 and 2012, the expected return on plan assets is 7.75% for qualified pension benefits and N/A for nonqualified pension benefits.

The accumulated benefit obligation for the defined benefit pension plans was \$319,572,000 and \$345,819,000 as of December 31, 2013 and 2012, respectively.

The assumed annual rate of increase in the per capita cost of Pre-65 covered health care benefits was 7.75% as of December 31, 2013 and decreases gradually to 5.00% for 2025 and thereafter. The assumed annual rate of increase in the per capita cost of Post-65 covered health care benefits was 7.00% as of December 31, 2013 and decreases gradually to 5.00% for 2022 and thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects (*in thousands*):

	1% Increase	1% Decrease
Effect on total service and interest cost	\$ 144	\$ (127)
Effect on postretirement benefit obligations	868	(776)

The following estimated benefit payments, which reflect expected future service, as appropriate, are expected to be paid from the pension and other postretirement benefit plans for the years ending December 31 (*in thousands*):

2014*	\$ 23,385
2015	22,406
2016	23,544
2017	25,141
2018	25,122
2019 through 2023	135,844
	<u>\$ 255,442</u>

\* The expected cash flow payments are based on, in part, the assumption that certain nonqualified pension plans participants who have attained age 62 and older during 2013 will retire in 2014.

The Company expects to make contributions of \$1,551,000 and \$1,604,000, respectively, to the pension and other postretirement benefit plans during 2014.

During December 2013, the Company implemented a change to the premium structure for the Pre-65 retirees of its postretirement plan. The change was accounted for as a change to its substantive plan. As a result, the Company recognized a gain from plan amendment of \$5,396,000 within the plan's benefit obligation.

The following table presents the status of the pension and other postretirement benefit plans as of December 31, 2013 and January 1, 2013, the transition date of SSAP 102 and SSAP 92 (*in thousands*).

NOTES TO FINANCIAL STATEMENTS

	Pension Benefits		Other Postretirement Benefits	
	December 31, 2013	January 1, 2013	December 31, 2013	January 1, 2013
Accumulated benefit obligation	\$ 319,500	\$ 344,951	\$ 17,679	\$ 21,129
Plus: Non-vested liability	72	80	9,298	15,206
Total accumulated benefit obligation	\$ 319,572	\$ 345,031	\$ 26,977	\$ 36,335
Projected benefit obligation	\$ 321,045	\$ 345,231	\$ 26,856	\$ 36,172
Plus: Non-vested liability	412	379	121	163
Total projected benefit obligation	\$ 321,457	\$ 345,610	\$ 26,977	\$ 36,335
Plan assets at fair value	\$ 367,650	\$ 334,907	\$ -	\$ -
Funded status	\$ 46,193	\$ (10,703)	\$ (26,977)	\$ (36,335)
Transition (asset) or obligation	\$ -	\$ -	\$ -	\$ -
Prior service cost or (credit)	-	-	-	-
Prior service cost or (credit) (non-vested)	-	-	-	9,870
Unrecognized (gains) and losses	-	-	-	4,725
Total unrecognized items	\$ -	\$ -	\$ -	\$ 14,595
Net overfunded plan asset / (liability for benefits)	\$ 46,193	\$ (10,703)	\$ (26,977)	\$ (21,740)

Effective January 1, 2013, the Company adopted SSAP 102 and SSAP 92. For SSAP 102, the Company recorded the full transition liability of \$781,000 as a decrease to surplus. For SSAP 92, the Company elected the phase-in option for the full transition liability of \$14,595,000 and accordingly, recorded \$1,459,000 as a decrease to surplus. During the fourth quarter of 2013, the Company recognized the remaining transition liability of \$2,780,000. Therefore, the unrecognized transition liability at December 31, 2013 is \$0.

The following table presents the impact on surplus from SSAP 92 (*in thousands*).

**Transition surplus impact**

Transition liability	\$ 14,595
Amount recognized at January 1, 2013	1,459
Remaining transition liability	\$ 13,136
Additional recognition due to plan amendment	5,396
Additional recognition due to net gains	4,960
Amount recognized at December 31, 2013	2,780
Amount unrecognized at December 31, 2013	\$ -

The Company’s pension investment policy is to provide for growth of capital with a moderate level of volatility through adequate asset diversification per the target allocations stated below. Target allocation ranges are guidelines, not limitations, and occasionally go above or below a target range. The weighted-average asset allocations by asset category for the qualified pension plan are as follows:

	Expected Rate	Target Allocation	December 31	
	of Returns	Range	2013	2012
Domestic equity securities	6%-10%	27%-47%	32 %	38 %
International equity securities	6%-10%	15%-25%	22	18
Emerging markets equity securities	6%-10%	0%-10%	5	6
Real estate	4%-8%	0%-10%	4	3
Real asset	1%-5%	0%-10%	7	7
Fixed income securities	1%-5%	18%-38%	30	26
Cash and cash equivalents	0%-2%	Residual	-	2
Total			100 %	100 %

## NOTES TO FINANCIAL STATEMENTS

The fair value of the Company's qualified pension plan assets by asset category are as follows (*in thousands*):

Asset Category	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2013
Cash equivalents	\$ 6,788	\$ -	\$ -	\$ 6,788
Fixed income securities:				
U.S. Treasury and other				
U.S. government agencies securities	17,059	455	-	17,514
State and municipal securities	-	5,746	-	5,746
Foreign governments securities	-	878	-	878
Corporate fixed income securities	-	35,250	-	35,250
Government sponsored enterprise mortgage-backed securities	-	38,057	-	38,057
Other mortgage-backed and asset-backed securities (a)	-	10,425	-	10,425
Total fixed income securities	17,059	90,811	-	107,870
Equity securities:				
Common stocks (b)	44,994	-	-	44,994
Common/collective trusts and DOL 103-12 trust (c)	-	170,361	-	170,361
Real estate investment trust fund	-	-	13,085	13,085
Real asset strategy investment fund (d)	-	24,552	-	24,552
Total equity securities	44,994	194,913	13,085	252,992
Total assets at fair value	\$ 68,841	\$ 285,724	\$ 13,085	\$ 367,650

Asset Category	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2012
Cash equivalents	\$ 10,517	\$ -	\$ -	\$ 10,517
Fixed income securities:				
U.S. Treasury and other				
U.S. government agencies securities	13,251	607	-	13,858
State and municipal securities	-	6,450	-	6,450
Foreign governments securities	-	700	-	700
Corporate fixed income securities	-	32,133	-	32,133
Government sponsored enterprise mortgage-backed securities	-	27,112	-	27,112
Other mortgage-backed and asset-backed securities (a)	-	4,828	-	4,828
Total fixed income securities	13,251	71,830	-	85,081
Equity securities:				
Common stocks (b)	44,756	-	-	44,756
Preferred stocks	-	823	-	823
Common/collective trusts and DOL 103-12 trust (c)	-	160,647	-	160,647
Real estate investment trust fund	-	-	11,324	11,324
Real asset strategy investment fund (d)	-	21,759	-	21,759
Total equity securities	44,756	183,229	11,324	239,309
Total assets at fair value	\$ 68,524	\$ 255,059	\$ 11,324	\$ 334,907

- (a) As of December 31, 2013 and 2012, other mortgage-backed and asset-backed securities are approximately 3% and 6% in residential mortgage-backed securities and 97% and 94% in commercial mortgage-backed/other asset-backed securities, respectively.
- (b) As of December 31, 2013 and 2012, common stocks are approximately 17% and 26% in domestic and international small cap value markets, 22% and 29% in domestic and international small cap growth markets and 61% and 45% in international large cap growth markets, respectively.
- (c) As of December 31, 2013 and 2012, the funds invest approximately 45% and 48% in domestic large cap equity index funds, 13% and 16% in domestic mid cap equity index funds, 30% and 25% in international value equity securities, and 12% and 11% in emerging markets equity securities, respectively.
- (d) This category represents investments in index funds that invest in commodities, USTIPS, U.S. real estate investment trusts and natural resources companies.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

NOTES TO FINANCIAL STATEMENTS

Cash equivalents

The carrying value of cash equivalents approximates fair value as maturities are less than three months.

Fixed income securities

The fair value of U.S. Treasury securities is determined by an active price for an identical security in an observable market and is therefore classified as Level 1. Other U.S. government agencies securities, state and municipal securities, foreign governments securities, corporate fixed income securities, mortgage-backed securities and other asset-backed securities that are priced by independent pricing services using observable inputs are classified as Level 2. Observable inputs used for other U.S. government agencies securities include quoted prices for like or similar assets, benchmark yields, reported trades and credit spreads. Observable inputs used for state and municipal securities, foreign governments securities and corporate fixed income securities include quoted prices for identical or similar assets that are traded in an active market, benchmark yields, new issuances, issuer ratings, reported trades of comparable securities and credit spreads. The fair value of mortgage-backed securities and other asset-backed securities is determined by a cash flow model, which utilizes observable inputs such as quoted prices for identical or similar assets, benchmark yields, prepayment speeds, collateral performance, credit spreads, and default rates at commonly quoted intervals.

Equity securities

Publicly traded common stocks are valued at the closing price reported on the exchanges and are classified as Level 1. Preferred stocks (2012 only) where market quotes are available but are not considered actively traded are classified as Level 2. Equity investments in common/collective trusts, Department of Labor (DOL) 103-12 trust and real asset strategy investment fund where the NAV (sum of the fair value of its underlying investments divided by units outstanding) is determined by observable inputs on a daily basis but are not considered actively traded are classified as Level 2. The equity investments in common/collective trusts, DOL 103-12 trust and real asset strategy investment fund permit redemptions daily. The fair value of real estate investment fund where the NAV is determined by valuation techniques using unobservable inputs, including discounted cash flow analysis, is classified as Level 3. A redemption request of 45 days prior to the end of the quarter is required for unit redemption of the real estate investment trust fund.

There were no transfers between levels during the years ended December 31, 2013 and 2012.

The preceding methods may produce a fair value calculation that may not indicate net realizable value or reflect future fair values. Furthermore, although the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting dates.

The table below summarizes changes in the fair value of the Company’s Level 3 pension plan investments in a real estate investment trust fund (*in thousands*).

	Year Ended December 31	
	2013	2012
Beginning balance at January 1	\$ 11,324	\$ 10,304
Unrealized gains relating to instruments still held at the reporting date	1,120	8
Purchases	641	1,012
Ending balance at December 31	\$ 13,085	\$ 11,324

An important factor in determining the pension expense is the assumption for expected long-term rate of return on plan assets. The Company uses a total portfolio return analysis in the development of its assumption. Factors such as past market performance, the long-term relationship between fixed income and equity securities, interest rates, inflation, and asset allocations are considered in the assumption. Peer data and historical returns are also reviewed for appropriateness of the selected assumption.

The expected long-term rate of return for the qualified pension plan’s total assets is based on the expected return of each of the investment categories, weighted based on the median of the target allocation for each class. The key objective of the pension asset portfolio is to meet the assumed actuarial rate of return while maintaining a diversified asset allocation.

E. Defined Contribution Plans

The Company sponsors a 401(k) plan for the benefit of all eligible employees. The Company contributes to this plan based on a percentage of employee contributions and recognized expenses of \$1,703,000 and \$1,566,000 for the years ended December 31, 2013 and 2012, respectively.

F. Multiemployer Plans

Not applicable.

G. Consolidated/Holding Company Plans

Not applicable.

## NOTES TO FINANCIAL STATEMENTS

### H. Postemployment Benefits and Compensated Absences

Not applicable.

### I. Impact of Medicare Modernization Act on Postretirement Benefits (INT 04-17)

(1) – (3) Not applicable.

### 13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

(1) The Company has no common stock authorized, issued or outstanding.

(2) The Company has no preferred stock authorized, issued or outstanding.

(3) – (9) Not applicable.

(10) The portion of unassigned funds (surplus) represented by cumulative net unrealized gains is \$317,896,000.

(11) – (13) Not applicable.

### 14. Contingencies

#### A. Contingent Commitments

None.

#### B. Assessments

In the jurisdictions in which the Company is licensed to conduct business, guaranty associations have been created for the purpose, among others, of protecting insured parties covered under health insurance policies when a health insurer becomes impaired, insolvent, or fails. The Company is contingently liable for assessments in any calendar year, in order to provide any required funds to carry out the power and duties of the associations. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written by member insurers in the line of business in which the impaired, insolvent or failed insurer is engaged. Some states permit member insurers to recover assessments through full or partial premium tax offsets.

The Pennsylvania Insurance Commissioner has placed long-term care insurer Penn Treaty Network America Insurance Company and one of its subsidiaries (collectively, "Penn Treaty") in rehabilitation, an intermediate action before insolvency, and has petitioned a state court for liquidation. If Penn Treaty is liquidated, the Company and other insurers may be required to pay a portion of Penn Treaty's policyholder claims through guaranty association assessments in future periods. The Company is currently unable to predict the ultimate outcome of, or reasonably estimate the loss or range of losses resulting from, this potential insolvency because the Company cannot predict when the state court will render a decision, the amount of the insolvency, if any, the amount and timing of associated guaranty association assessments or the amount or availability of potential offsets, such as premium tax offsets. It is possible that in future reporting periods the Company may record a liability and a premium tax offset receivable relating to Penn Treaty which could have a material adverse effect on the Company's financial statements.

#### C. Gain Contingencies

None.

#### D. Claims Related Extra Contractual Obligation and Bad Faith Losses Stemming from Lawsuits

None.

#### E. All Other Contingencies

CFMI and the Company entered into an intercompany agreement that requires CFMI or the Company, or their respective affiliates, to provide the financial resources necessary to satisfy the respective statutory or regulatory reserve requirement, subject to specific limitations, if either CFMI or the Company or their respective affiliates fail to meet or maintain their respective statutory or regulatory reserve requirement as required by law, or if such transfer of financial resources is needed to satisfy any other legally enforceable obligation.

CFI has a commitment for a credit facility with a commercial bank under which certain of its affiliates, including the Company, may borrow up to a maximum amount of \$60,000,000. There have been no draws made on this line of credit during 2013 or 2012.

CFI entered into a three-year agreement with a third party vendor to provide local care coordinator services to members who participate in the Patient Centered Medical Home program. The agreement contained certain financial and operational requirements obligating both parties. In 2011, CFI did not meet the minimum volume requirements in the agreement for rendering care plans. As a result, CFI recorded a liability of \$8,000,000 at December 31, 2011, of which \$3,353,000 was recorded by the Company. The liability was included in the general expenses due or accrued. In July 2012, the agreement was amended to modify certain terms and conditions. Under the amended agreement, the minimum volume requirements from the original contract ceased on June 30, 2012 and the agreement was extended from December 31, 2013 to June 30, 2016. Under the amended terms of the agreement, the Company has no liability if it does not terminate the contract before it expires. As of December 31, 2012, the Company had not terminated the contract and



## NOTES TO FINANCIAL STATEMENTS

accordingly, the liability was reduced to \$0 with an offset as a reduction in claims incurred.

Various lawsuits, including class action lawsuits and other claims, occur in the normal course of business and are pending against the Company. The Company records reserves for such matters when a loss is deemed to be probable and estimable. Management, after consultation with legal counsel, is of the opinion that the lawsuits and other claims, when resolved, will not have a material adverse effect on the accompanying statutory-basis financial statements; however, there can be no assurance in this regard.

The Company insures individuals and provides administrative services to non-risk groups with members who are qualified Medicare beneficiaries. Medicare law identifies the primary payer and secondary payer of claims when individuals are insured by either the Company or an employer and Medicare. Principally as a result of information systems programming errors, the Company incorrectly paid certain claims in years prior to 2009 as the secondary payer rather than as the primary payer for individuals that were insured by the Company. The issues were communicated to CMS in May 2009. The Company has implemented corrective measures to (1) correctly identify Medicare beneficiaries that should be paid primary and (2) modify information systems to correctly adjudicate claims on behalf of Medicare beneficiaries.

Based on its interpretation of Medicare law, the Company believes it is liable for improperly processed claims for the period from January 1, 2006 to December 31, 2008. In 2009, CFMI, GHMSI and CFBC provided CMS with the data of the incorrectly paid claims and offered to settle its obligations to CMS for \$19,000,000. Accordingly, CFMI, GHMSI and CFBC recorded a liability of \$19,000,000 at December 31, 2009 for this proposed settlement, of which \$9,885,000 was recorded by the Company. The Company received demand letters from CMS regarding certain of these individual claims during 2010 and 2011. Based on the claims processed in response to these demand letters and its ongoing evaluation of the Company's liability for this matter, the Company released a portion of the reserves that had been established in 2009 at December 31, 2012. The remaining balance of the liability was \$7,467,000 at December 31, 2012. During 2013, CMS made a settlement offer of \$16,054,000, which represents the total liability established in 2009 minus the amount paid to date from the demand letters processed in 2010 and 2011. As a result, the Company re-established a portion of the reserve that was released in 2012 to restore the liability back to the settlement amount offered by CMS. Accordingly, the balance of the liability is \$8,440,000 as of December 31, 2013, and is included in general expenses due or accrued. The final settlement amount of \$8,434,000 was paid in February 2014.

During 2012, the Company discovered an unrelated processing error related to the handling of claims for Medicare members of certain non-risk groups between the years from 2009 to 2012. This error was promptly corrected once identified by the Company. As a result, CFMI and GHMSI recorded a liability of \$4,800,000, of which \$1,143,000 was recorded by the Company representing the Company's best estimate of its portion of liability to CMS at December 31, 2012. In 2013, this liability was reduced after the Company completed its on-going review of the claims data related to this liability. At December 31, 2013, the liability was reduced to \$721,000, and is included in other long term liabilities. The Company's management believes, after consultation with legal counsel, that the final resolution of this matter will not result in additional material liabilities to the Company.

During the first quarter of 2010, the Patient Protection and Affordable Care Act (PPACA), and a reconciliation measure, the Health Care and Education Reconciliation Act of 2010, which the Company refers to together as the Health Reform Legislation, were signed into law. The Health Reform Legislation, and existing or future laws and rules, could force the Company to change how it does business, restrict revenue and enrollment growth in certain products and market segments, restrict premium growth rates for certain products and market segments, increase its medical and administrative costs and capital requirements, expose it to an increased risk of liability (including increasing its liability in federal and state courts for coverage determinations and contract interpretation) or put it at risk for loss of business. The new laws encompass certain new taxes and fees, including an excise tax on high premium insurance policies and limitations on the amount of compensation that is tax deductible. The Health Reform Legislation presents additional challenges over the longer term, including the annual insurance industry assessment beginning in 2014, the operation of state-based exchanges for individuals and small group businesses beginning in 2014, and numerous other commercial and governmental plan requirements. Due to the complexity of the numerous changes that are taking place, the Company's operating results, financial position and cash flows could be materially adversely affected by such changes.

## 15. Leases

### A. Lessee Operating Lease

The Company leases certain administrative facilities, including its corporate offices, and equipment under operating leases. Some of these lease agreements contain escalation clauses for increases in rental rates over the life of the lease. These leases expire on various dates with renewal options available on many of these leases.

Future noncancelable minimum payments for leases are as follows (*in thousands*):

2014	\$ 9,325
2015	9,340
2016	9,337
2017	9,235
2018	7,937
Thereafter	38,102
Total minimum payments	<u>\$ 83,276</u>

NOTES TO FINANCIAL STATEMENTS

Rent expense for all operating leases, net of amounts allocated to affiliates, for the years ended December 31, 2013 and 2012 was \$13,472,000 and \$13,638,000, respectively.

**B. Lessor Leases**

Not applicable.

**16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk**

Not applicable.

**17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

**A. Transfers of Receivables Reported as Sales**

Not Applicable.

**B. Transfer and Servicing of Financial Assets**

Not Applicable.

**C. Wash Sales**

None.

**18. Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

**A. ASO Plans**

Not applicable.

**B. ASC Plans**

The results from operations of uninsured ASC plans and the uninsured portion of partially insured plans were as follows (*in thousands*):

	Year Ended December 31	
	2013	2012
Gross reimbursement for medical costs incurred	\$ 1,073,205	\$ 1,089,046
Gross administrative fees accrued	64,023	69,308
Gross expenses incurred	(1,153,905)	(1,170,136)
Operating loss, before stop loss	\$ (16,677)	\$ (11,782)
Stop loss, net	2,926	2,504
Proforma operating loss	\$ (13,751)	\$ (9,278)

The stop loss amount reported above represents the stop loss underwriting gain from the ASC business.

For the year ended December 31, 2013, GHMSI ceded an ASC underwriting loss of \$1,115,000 to CFMI and assumed an ASC underwriting loss of \$1,570,000 from CFMI for a net underwriting loss of \$455,000. For the year ended December 31, 2012, GHMSI ceded an ASC underwriting gain of \$254,000 to CFMI and assumed an ASC underwriting gain of \$3,211,000 from CFMI for a net underwriting gain of \$2,957,000.

**C. Medicare or Similarly Structured Cost Based Reimbursement Contract**

Not applicable.

**19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

Not applicable.

**20. Fair Value Measurements**

**A. Fair Value Measurement Valuation Techniques and Inputs**

Included in various investment-related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired, or, for certain bonds and preferred stocks, when carried at the lower of cost or market. SSAP No. 100 *Fair Value Measurements* defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value. The fair value hierarchy is as follows:

NOTES TO FINANCIAL STATEMENTS

- Level 1 – Quoted (unadjusted) prices for identical assets or liabilities in active markets.
- Level 2 – Other observable inputs, either directly or indirectly.
- Level 3 – Unobservable inputs that cannot be corroborated by observable market data.

In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company’s assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset. Management is responsible for the determination of fair value, and performs monthly analyses on the prices received from third parties to determine whether the prices appear to be reasonable estimates of fair value.

There were no transfers between levels during the years ended December 31, 2013 and 2012.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

**Bonds.** The fair value of U.S. Treasury securities is determined by an active price for an identical security in an observable market and is therefore classified as Level 1. Other U.S. government agencies securities, state and municipal securities, foreign governments securities, corporate bonds, mortgage-backed securities and other asset-backed securities that are priced by independent pricing services using observable inputs are classified as Level 2. Observable inputs used for other U.S. government agencies securities include quoted prices for like or similar assets, benchmark yields, reported trades and credit spreads. Observable inputs used for state and municipal securities, foreign governments securities and corporate bonds include quoted prices for identical or similar assets that are traded in an active market, benchmark yields, new issuances, issuer ratings, reported trades of comparable securities and credit spreads. The fair value of mortgage-backed securities and other asset-backed securities is determined by a cash flow model, which utilizes observable inputs such as quoted prices for identical or similar assets, benchmark yields, prepayment speeds, collateral performance, credit spreads, and default rates at commonly quoted intervals.

**Stocks.** Fair values of publicly-traded index funds where market quotes are available but are not considered actively traded are classified as Level 2. Net asset value of the fixed income index fund invested in U.S. Treasury inflation-protected securities (USTIPS) is calculated as of the close of business of the New York Stock Exchange. Fair value of the fixed income index fund where a market quote is available but is not considered actively traded is classified as Level 2. Fair values of privately held equity securities, where there has been limited trading activity or where less price transparency exists around the inputs to the valuation, are classified as Level 3.

(1) Fair Value Measurements at Reporting Date

The following tables present information about the Company’s financial instruments measured and reported at fair value (*in thousands*).

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2013
<b>Assets</b>				
Bonds	\$ –	\$ 257	\$ –	\$ 257
Common stocks				
Large capital equity index fund	–	28,772	–	28,772
Small capital equity index fund	–	12,993	–	12,993
International equity index fund	–	22,173	–	22,173
Publicly-traded fixed income index fund (a)	–	53,582	–	53,582
Privately-held equity securities	–	–	4,300	4,300
Total common stocks	–	117,520	4,300	121,820
Total assets measured and and reported at fair value	\$ –	\$ 117,777	\$ 4,300	\$ 122,077

NOTES TO FINANCIAL STATEMENTS

	Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total Fair Value as of December 31, 2012
<b>Assets</b>				
Bonds	\$ —	\$ 100	\$ —	\$ 100
Common stocks				
Large capital equity index fund	—	46,524	—	46,524
Small capital equity index fund	—	34,461	—	34,461
International equity index fund	—	46,313	—	46,313
Publicly-traded fixed income index fund (a)	—	48,228	—	48,228
Privately-held equity securities	—	—	4,121	4,121
Total common stocks	—	175,526	4,121	179,647
Total assets measured and reported at fair value	\$ —	\$ 175,526	\$ 4,121	\$ 179,647

(a) Represent investments in USTIPS.

(2) Fair Value Measurements in (Level 3) of the Fair Value Hierarchy

A reconciliation of the beginning and ending balances of privately held equity securities measured at fair value using Level 3 inputs is as follows (*in thousands*):

	2013	2012
Beginning balance at January 1	\$ 4,121	\$ 3,903
Unrealized gains in capital and surplus—statutory-basis	179	218
Ending balance at December 31	\$ 4,300	\$ 4,121
Change in unrealized losses included in net income (loss) related to assets still held	\$ —	\$ —

(3) Level 3 Transfers

None.

(4) Level 2 and 3 Valuation Technique and Inputs

See Note 20A *Fair Value Measurement Valuation Techniques and Inputs*

(5) Derivatives

None.

B. Other Fair Value Disclosures

None.

C. Aggregate Fair Value of Financial Instruments

The following tables present information about the aggregate fair value of the Company’s financial instruments (*in thousands*).

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Aggregate Fair Value as of December 31, 2013	Admitted Assets as of December 31, 2013
Bonds	\$ 90,948	\$ 416,636	\$ —	\$ 507,584	\$ 511,477
Common stocks	—	117,520	4,300	121,820	121,820
Total assets at fair value	\$ 90,948	\$ 534,156	\$ 4,300	\$ 629,404	\$ 633,297

NOTES TO FINANCIAL STATEMENTS

	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Aggregate Fair Value as of December 31, 2012	Admitted Assets as of December 31, 2012
Bonds	\$ 93,088	\$ 477,572	\$ –	\$ 570,660	\$ 549,575
Common stocks	–	175,526	4,121	179,647	179,647
Total assets at fair value	\$ 93,088	\$ 653,098	\$ 4,121	\$ 750,307	\$ 729,222

**D. Not Practicable to Estimate Fair Value**

As of December 31, 2013 and 2012, the Company has no financial instruments for which it is not practicable to estimate fair value.

**21. Other Items**

**A. Extraordinary Items**

Not applicable

**B. Troubled Debt Restructuring: Debtors**

Not applicable

**C. Other Disclosures and Unusual Items**

Not applicable

**D. Business Interruption Insurance Recoveries**

Not applicable

**E. State Transferable Tax Credits**

Not applicable

**F. Subprime-Mortgage-Related Risk Exposure**

- (1) The Company categorizes mortgage securities with an average FICO score of less than 675 (credit score) as a subprime mortgage security. The Company has no subprime mortgage securities as of December 31, 2013.
- (2) The Company does not engage in mortgage lending and therefore has no direct exposure through investments in subprime mortgage loans.
- (3) The Company has no exposure in subprime mortgage lending through its fixed maturity and equity investments.

**G. Retained Assets**

Not applicable

**22. Events Subsequent**

There have been no events occurring subsequent to the close of the books or accounts for this statement that would have a material effect on the financial condition of the Company.

On January 1, 2014, the Company will be subject to an annual fee under Section 9010 of the PPACA. This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity’s net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance entity’s portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, 2014. The Company has written health insurance subject to the PPACA assessment as of December 31, 2013 and is conducting health insurance business in 2014. The Company estimates its portion of the annual health insurance industry fee to be payable on September 30, 2014 to be \$48,000,000. If this assessment had occurred as of December 31, 2013, it would have decreased the risk based capital ratio by 48%, from 932% to 884%.

- A. PPACA fee assessment payable: \$48,000,000
- B. Assessment expected to impact risk based capital by: (48)%

**23. Reinsurance**

**A. Ceded Reinsurance Report**

The Company maintains a quota-share reinsurance contract with FirstCare, a plan sponsor offering Medicare Part D prescription drug insurance coverage under a contract with CMS. The Company assumed risk premiums in the amount of \$6,350,000 and \$6,515,000, and incurred an underwriting (loss) gain in the amount of \$(295,000) and \$77,000, for the years ended December 31, 2013 and 2012, respectively.

NOTES TO FINANCIAL STATEMENTS

Certain business has been written by CFMI and GHMSI which represents contracts outside the historic CFMI and GHMSI service areas (cross-jurisdictional sales). The net underwriting gain or loss from this cross-jurisdictional business is transferred via a quota-share reinsurance contract from the company that earned them to the company in whose service area they were earned. The Company remains obligated for amounts ceded in the event that CFMI does not meet its obligations. As a result of this reinsurance agreement, the following amounts were assumed from and ceded to CFMI (*in thousands*):

	Year Ended December 31	
	2013	2012
Premiums assumed	\$ 50,684	\$ 54,071
Premiums ceded	(213,590)	(275,737)
Premiums, net	(162,906)	(221,666)
Cost of care assumed	37,712	43,047
Cost of care ceded	(167,151)	(221,931)
Cost of care, net	(129,439)	(178,884)
General and administrative expenses ceded, net	(31,941)	(44,387)
Net (gain) loss ceded	\$ (1,526)	\$ 1,605

B. Uncollectible Reinsurance

Not Applicable.

C. Commutation of Ceded Reinsurance

Not Applicable.

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Not Applicable.

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

A. – C. Not applicable

D. See Note 1 *Accounting Policy – Medical Loss Ratio Rebates*.

Medical loss ratio rebates required pursuant to the Public Health Service Act are as follows (*in thousands*):

	1	2	3	4	5
	Individual	Small Group Employer	Large Group Employer	Other Categories with Rebates	Total
Prior Reporting Year					
(1) Medical loss ratio rebates incurred	\$ (4,410)	\$ 2,214	\$ –	\$ –	\$ (2,196)
(2) Medical loss ratio rebates paid	–	3,964	–	–	3,964
(3) Medical loss ratio rebates unpaid	–	–	–	–	–
(4) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	–
(5) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	–
(6) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$ –
Current Reporting Year-to-Date					
(7) Medical loss ratio rebates incurred	\$ –	\$ 1,989	\$ –	\$ –	\$ 1,989
(8) Medical loss ratio rebates paid	–	1,989	–	–	1,989
(9) Medical loss ratio rebates unpaid	–	–	–	–	–
(10) Plus reinsurance assumed amounts	XXX	XXX	XXX	XXX	–
(11) Less reinsurance ceded amounts	XXX	XXX	XXX	XXX	–
(12) Rebates unpaid net of reinsurance	XXX	XXX	XXX	XXX	\$ –

25. Change in Incurred Claims and Claim Adjustment Expenses

As of December 31, 2013, \$250,059,000 has been paid for incurred claims attributable to insured events for prior years. Reserves remaining for prior years are now \$2,786,000 as a result of re-estimation of unpaid claims and unpaid claims adjustment expenses. Therefore, there has been a \$14,209,000 favorable prior year development since December 31, 2012 to December 31, 2013 of which \$1,434,000 was a result of unfavorable development in the Federal Employee Program line of business. Original estimates are increased or decreased as additional information becomes known regarding individual claims.

NOTES TO FINANCIAL STATEMENTS

26. Intercompany Pooling Arrangements

Not applicable.

27. Structured Settlements

Not applicable

28. Health Care Receivables

- A. Pharmacy Rebates Receivable are based on pharmacy utilization during the quarter as well as past experience of rebates received.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Invoice/ Confirmed	Actual Rebates Collected Within 90 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected within 91-180 Days of Invoicing/ Contractual Due Date	Actual Rebates Collected More Than 180 days After Invoicing/ Contractual Due Date
12/31/2013	\$ 3,525,034	\$ 3,525,034	\$ –	\$ –	\$ –
9/30/2013	3,525,034	3,525,034	791,831	–	–
6/30/2013	3,123,840	3,123,840	3,123,444	396	–
3/31/2013	3,083,586	3,083,586	3,064,042	2,444	–
12/31/2012	\$ 3,029,514	\$ 3,029,514	\$ 2,928,689	\$ 101,653	\$ –
9/30/2012	3,171,070	3,171,070	3,002,761	160,856	–
6/30/2012	3,485,781	3,485,781	1,971,161	1,467,793	3,815
3/31/2012	3,364,602	3,364,602	2,527,276	714,465	128,457
12/31/2011	\$ 3,972,068	\$ 3,972,068	\$ 3,435,582	\$ 269,145	\$ –
9/30/2011	3,988,149	3,988,149	3,478,795	516,076	–
6/30/2011	4,078,924	4,078,924	3,152,439	910,216	–
3/31/2011	3,585,638	3,585,638	3,654,719	(76,885)	–

B. Risk Sharing Receivables

Not applicable

29. Participating Policies

Not applicable

30. Premium Deficiency Reserve

See Note 1 *Accounting Policy – Premium Deficiency Reserve.*

1. Liability carried for premium deficiency reserves: \$940,000
2. Date of the most recent evaluation of this liability: December 31, 2013
3. Was anticipated investment income utilized in the calculation? No

31. Anticipated Salvage and Subrogation

The following discloses the anticipated subrogation used in computing the Company’s unpaid claims liability (*in thousands*):

Year incurred	
2013	\$ 1,863
2012	\$ 508

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES  
GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? .....  
If yes, complete Schedule Y, Parts 1, 1A and 2

Yes [ X ] No [ ]

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent, or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? .....

Yes [ X ] No [ ] N/A [ ]

1.3

State Regulating? .....

District of Columbia

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? .....

Yes [ ] No [ X ]

2.2

If yes, date of change: .....

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made. ....

12/31/2013

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. ....

12/31/2008

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). ....

09/29/2009

3.4

By what department or departments?  
District of Columbia Department of Insurance, Securities and Banking .....

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? .....

Yes [ ] No [ ] N/A [ X ]

3.6

Have all of the recommendations within the latest financial examination report been complied with? .....

Yes [ X ] No [ ] N/A [ ]

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity), receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.11 sales of new business? .....  
4.12 renewals? .....

Yes [ ] No [ X ]  
Yes [ ] No [ X ]

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:  
4.21 sales of new business? .....  
4.22 renewals? .....

Yes [ ] No [ X ]  
Yes [ ] No [ X ]

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? .....

Yes [ ] No [ X ]

5.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? .....

Yes [ ] No [ X ]

6.2

If yes, give full information: .....

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? .....

Yes [ ] No [ X ]

7.2

If yes,  
7.21 State the percentage of foreign control; .....  
7.22 State the nationality(s) of the foreign person(s) or entity(s) or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact; and identify the type of entity(s) (e.g., individual, corporation or government, manager or attorney in fact).

0.0 %

1	2
Nationality	Type of Entity



GENERAL INTERROGATORIES

- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [ ] No [ X ]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [ ] No [ X ]
- 8.4

If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6
Affiliate Name	Location (City, State)	FRB	OCC	FDIC	SEC

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Ernst & Young, LLP  
621 East Pratt Street  
Baltimore, MD 21202
- 10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes [ ] No [ X ]
- 10.2

If the response to 10.1 is yes, provide information related to this exemption:
- 10.3

Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?

Yes [ ] No [ X ]
- 10.4

If the response to 10.3 is yes, provide information related to this exemption:
- 10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes [ X ] No [ ] N/A [ ]
- 10.6

If the response to 10.5 is no or n/a, please explain
11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Paula Holt, FSA, MAAA, Actuary  
10455 Mill Run Circle  
Owings Mills, Maryland 21117
- 12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [ ] No [ X ]
- 12.11

Name of real estate holding company
- 12.12

Number of parcels involved

0
- 12.13

Total book/adjusted carrying value

\$ 0
- 12.2

If, yes provide explanation:
13.

FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 13.1

What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 13.2

Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes [ ] No [ ]
- 13.3

Have there been any changes made to any of the trust indentures during the year?

Yes [ ] No [ ]
- 13.4

If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?

Yes [ ] No [ ] N/A [ ]
- 14.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

Yes [ X ] No [ ]
- (a)

Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b)

Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c)

Compliance with applicable governmental laws, rules and regulations;
- (d)

The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e)

Accountability for adherence to the code.
- 14.11

If the response to 14.1 is No, please explain:
- 14.2

Has the code of ethics for senior managers been amended?

Yes [ X ] No [ ]
- 14.21

If the response to 14.2 is yes, provide information related to amendment(s).

The code was amended in 2013 for a January 1, 2014, effective date.
- 14.3

Have any provisions of the code of ethics been waived for any of the specified officers?

Yes [ ] No [ X ]
- 14.31

If the response to 14.3 is yes, provide the nature of any waiver(s).

GENERAL INTERROGATORIES

- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes ☐ No ☒
- 15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2  Issuing or Confirming Bank Name	3  Circumstances That Can Trigger the Letter of Credit	4  Amount

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes ☒ No ☐
17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes ☒ No ☐
18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict with the official duties of such person? Yes ☒ No ☐

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes ☐ No ☒
- 20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

20.11 To directors or other officers\$0

20.12 To stockholders not officers\$0

20.13 Trustees, supreme or grand (Fraternal Only)\$0
- 20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

20.21 To directors or other officers\$0

20.22 To stockholders not officers\$0

20.23 Trustees, supreme or grand (Fraternal Only)\$0
- 21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes ☐ No ☒
- 21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Rented from others\$0

21.22 Borrowed from others\$0

21.23 Leased from others\$0

21.24 Other\$0
- 22.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes ☐ No ☒
- 22.2 If answer is yes:

22.21 Amount paid as losses or risk adjustment\$0

22.22 Amount paid as expenses\$0

22.23 Other amounts paid\$0
- 23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes ☒ No ☐
- 23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:\$0

INVESTMENT

- 24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes ☒ No ☐
- 24.02 If no, give full and complete information relating thereto
- 24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided) n/a
- 24.04 Does the Company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes ☐ No ☐ N/A ☒
- 24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs.\$0
- 24.06 If answer to 24.04 is no, report amount of collateral for other programs.\$0
- 24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes ☐ No ☐ N/A ☒
- 24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes ☐ No ☐ N/A ☒
- 24.09 Does the reporting entity or the reporting entity 's securities lending agent utilize the Master Securities lending Agreement (MSLA) to conduct securities lending? Yes ☐ No ☐ N/A ☒

GENERAL INTERROGATORIES

24.10 For the reporting entity's security lending program state the amount of the following as December 31 of the current year:

24.101	Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.	\$	0
24.102	Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.	\$	0
24.103	Total payable for securities lending reported on the liability page.	\$	0

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes [ ] No [ X ]

25.2	If yes, state the amount thereof at December 31 of the current year:	25.21 Subject to repurchase agreements	\$	0
		25.22 Subject to reverse repurchase agreements	\$	0
		25.23 Subject to dollar repurchase agreements	\$	0
		25.24 Subject to reverse dollar repurchase agreements	\$	0
		25.25 Pledged as collateral	\$	0
		25.26 Placed under option agreements	\$	0
		25.27 Letter stock or other securities restricted as to sale	\$	0
		25.28 On deposit with state or other regulatory body	\$	0
		25.29 Other	\$	0

25.3 For category (25.27) provide the following:

1	2	3
Nature of Restriction	Description	Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [ X ]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [ X ]  
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [ X ]

27.2 If yes, state the amount thereof at December 31 of the current year. \$ 0

28. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [ X ] No [ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1	2
Name of Custodian(s)	Custodian's Address
SunTrust Bank	1445 New York Ave., Washington DC 20005

28.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1	2	3
Name(s)	Location(s)	Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [ X ]

28.04 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	Reason

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of brokers/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1	2	3
Central Registration Depository Number(s)	Name	Address
15958	Vanguard	P.O. Box 2900 Valley Forge, PA 19482
104596	Dodge & Cox	55 California St., San Francisco, CA 94104
105496	T.Rowe Price	100 E. Pratt St., Baltimore MD 21202

GENERAL INTERROGATORIES

- 29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])?
- 29.2 If yes, complete the following schedule:
- Yes [ X ] No [ ]

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted Carrying Value
922908-88-4 .....	Vanguard Extended Markets Index Institutional .....	12,993,454
922040-10-0 .....	Vanguard Institutional Index Fund .....	28,772,046
921909-82-6 .....	Vanguard Developed Markets Index Institutional .....	22,171,888
29.2999 - Total		63,937,388

- 29.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	Date of Valuation
Vanguard Extended Market Index Institutional .....	Liberty Global PLC .....	103,948	12/31/2013
Vanguard Extended Market Index Institutional .....	Las Vegas Sands Corp .....	103,948	12/31/2013
Vanguard Extended Market Index Institutional .....	LinkedIn Corp. ....	64,967	12/31/2013
Vanguard Extended Market Index Institutional .....	Liberty Media Corp. ....	51,974	12/31/2013
Vanguard Extended Market Index Institutional .....	HCA Holdings Inc. ....	51,974	12/31/2013
Vanguard Institutional Index Fund .....	Apple Inc. ....	863,161	12/31/2013
Vanguard Institutional Index Fund .....	Exxon Mobil Corp. ....	776,846	12/31/2013
Vanguard Institutional Index Fund .....	Google Inc. ....	546,669	12/31/2013
Vanguard Institutional Index Fund .....	Microsoft Corp. ....	489,125	12/31/2013
Vanguard Institutional Index Fund .....	General Electric Co. ....	489,125	12/31/2013
Vanguard Developed Markets Index Institutional .....	Nestle SA .....	354,750	12/31/2013
Vanguard Developed Markets Index Institutional .....	Royal Dutch Shell PLC .....	354,750	12/31/2013
Vanguard Developed Markets Index Institutional .....	HSBC Holdings PLC .....	310,406	12/31/2013
Vanguard Developed Markets Index Institutional .....	Roche Holding AG .....	310,406	12/31/2013
Vanguard Developed Markets Index Institutional .....	Vodafone Group PLC .....	288,235	12/31/2013

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds .....	538,023,737	534,131,222	(3,892,515)
30.2 Preferred stocks .....	0	0	0
30.3 Totals	538,023,737	534,131,222	(3,892,515)

- 30.4 Describe the sources or methods utilized in determining the fair values:  
Custodian Bank .....
- 31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? .....
- 31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? .....
- 31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:  
.....
- 32.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? .....
- 32.2 If no, list exceptions:  
.....
- Yes [ X ] No [ ]
- Yes [ X ] No [ ]
- Yes [ X ] No [ ]
- Yes [ X ] No [ ]

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? .....\$ .....1,927,076

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
BlueCross BlueShield Association .....	1,208,147
.....	.....

34.1 Amount of payments for legal expenses, if any? .....\$ .....1,311,040

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....	.....
.....	.....

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? .....\$ .....180,963

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Trammall & Company .....	136,713
.....	.....

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes ☒ No ☐

1.2

If yes, indicate premium earned on U.S. business only.

\$18,651,406

1.3

What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$0

1.31

Reason for excluding

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above

\$0

1.5

Indicate total incurred claims on all Medicare Supplement Insurance.

\$13,763,869

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

\$4,979,642

1.62

Total incurred claims

\$5,065,053

1.63

Number of covered lives

2,831

All years prior to most current three years:

1.64

Total premium earned

\$13,671,764

1.65

Total incurred claims

\$8,698,816

1.66

Number of covered lives

4,014

1.7

Group policies:

Most current three years:

1.71

Total premium earned

\$0

1.72

Total incurred claims

\$0

1.73

Number of covered lives

0

All years prior to most current three years:

1.74

Total premium earned

\$0

1.75

Total incurred claims

\$0

1.76

Number of covered lives

0

2.

Health Test:

1

Current Year

2

Prior Year

2.1

Premium Numerator

3,078,876,367

3,188,284,857

2.2

Premium Denominator

3,095,809,333

3,204,928,073

2.3

Premium Ratio (2.1/2.2)

0.995

0.995

2.4

Reserve Numerator

933,840,065

996,182,367

2.5

Reserve Denominator

933,840,065

996,182,367

2.6

Reserve Ratio (2.4/2.5)

1.000

1.000

3.1

Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes ☐ No ☒

3.2

If yes, give particulars:

4.1

Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes ☒ No ☐

4.2

If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes ☐ No ☒

5.1

Does the reporting entity have stop-loss reinsurance?

Yes ☐ No ☒

5.2

If no, explain:

5.3

Maximum retained risk (see instructions)

5.31

Comprehensive Medical

\$0

5.32

Medical Only

\$0

5.33

Medicare Supplement

\$0

5.34

Dental & Vision

\$0

5.35

Other Limited Benefit Plan

\$0

5.36

Other

\$0

6.

Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:  
Intercompany Support Agreement with CareFirst of Maryland, Inc.

7.1

Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes ☒ No ☐

7.2

If no, give details

8.

Provide the following information regarding participating providers:

8.1

Number of providers at start of reporting year

46,896

8.2

Number of providers at end of reporting year

46,263

9.1

Does the reporting entity have business subject to premium rate guarantees?

Yes ☒ No ☐

9.2

If yes, direct premium earned:

9.21

Business with rate guarantees between 15-36 months

\$162,269

9.22

Business with rate guarantees over 36 months

\$0

GENERAL INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? .....

Yes [ ] No [ X ]

10.2 If yes:

10.21 Maximum amount payable bonuses.....

\$ .....0

10.22 Amount actually paid for year bonuses.....

\$ .....0

10.23 Maximum amount payable withholds.....

\$ .....0

10.24 Amount actually paid for year withholds.....

\$ .....0

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, .....

Yes [ ] No [ X ]

11.13 An Individual Practice Association (IPA), or, .

Yes [ ] No [ X ]

11.14 A Mixed Model (combination of above)? .....

Yes [ ] No [ X ]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements? .....

Yes [ X ] No [ ]

11.3 If yes, show the name of the state requiring such net worth. ....

District of Columbia

11.4 If yes, show the amount required. ....

\$ 110,983,353

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? .....

Yes [ ] No [ X ]

11.6 If the amount is calculated, show the calculation

See attached footnote for detail information.

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
District of Columbia .....
State of Maryland .....
Virginia: the cities of Alexandria and Fairfax; the town of Vienna; Arlington County; the areas of Fairfax and Prince William Counties in Virginia lying East of Route 123 .....
.....

13.1 Do you act as a custodian for health savings accounts? .....

Yes [ ] No [ X ]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date. ....

\$ .....0

13.3 Do you act as an administrator for health savings accounts? .....

Yes [ ] No [ X ]

13.4 If yes, please provide the balance of funds administered as of the reporting date. ....

\$ .....0

General Interrogatories

Part 2 - Health Interrogatories

Question 10.1 Incentive pool, withheld or bonus arrangements

In 2013, certain primary care physicians, who participated with the Company's Total Care and Cost Improvement program, which includes the Primary Care Medical Home program that was authorized by the Maryland Health Care Commission, and who met the criteria of the Outcomes Incentive Awards, received reimbursement increases through their fee schedules. The Company did not record any medical incentive pool amount in relation to the reimbursement increases as the impact from the change in fee schedules will be reported as claims and included in the unpaid claims liability when future provider claims are incurred. Therefore, no separate amount is payable to the providers.

Question 11.6 Minimum net worth requirements

The company is licensed to conduct business in the states of Virginia (Northern Virginia) and Maryland and the District of Columbia. The minimum net worth for each of these jurisdictions is as follows:

District of Columbia: calculated as 8% of prior year's risk premium

Prior Year's Premium Written	\$3,204,928,073
Less: FEP Premiums Written	\$1,817,636,155
Prior Year's Risk Premiums Written	\$1,387,291,918
Multiply by Applicable Rate for the District of Columbia	8%
Minimum Statutory Reserve Requirements	\$110,983,353

Maryland: \$110,983,353 Minimum Statutory Reserve Requirement: calculated as 8% of prior year's risk premium.

Virginia: \$170,815,118 calculated as 45 days of anticipated operating expenses and incurred claims expenses generated from subscription contracts.

	Incurred Claims (1)	Operating Expenses (2)
Total	\$2,799,374,284	\$398,362,171
Less: FEP	1,695,580,000	116,656,057
Incurred	1,103,794,284	281,706,114
Divided by	365	365
Times	45	45
	\$136,084,227	34,730,891

\$136,084,227 (incurred claims) plus \$34,730,891 (Operating expenses) = \$170,815,118

Note:

- (1) Total Incurred Claims – Column 1 Line 17 Total medical and hospital claims of page 7 Analysis of Operations by lines of business. FEP Incurred Claims – Column 6 Line 17 Total medical and hospital claims of page 7 Analysis of Operations by lines of business.
- (2) Total Operating Expenses – Column 1 Line 19 Claims adjustment expenses plus Line 20 General administrative expenses of page 7 Analysis of Operations by lines of business. FEP Operating Expenses – Column 6 Line 19 Claims adjustment expenses plus Line 20 General administrative expenses of page 7 Analysis of Operations by lines of business.



FIVE-YEAR HISTORICAL DATA

	1 2013	2 2012	3 2011	4 2010	5 2009
<b>Balance Sheet</b> (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28) .....	2,216,046,918	2,251,288,120	2,293,335,089	2,173,566,611	1,887,553,960
2. Total liabilities (Page 3, Line 24) .....	1,281,295,443	1,310,217,166	1,329,753,778	1,204,067,237	1,126,095,545
3. Statutory surplus .....	110,983,353	111,713,281	109,593,628	108,690,100	101,088,276
4. Total capital and surplus (Page 3, Line 33) .....	934,751,475	941,070,954	963,581,310	969,499,374	761,458,437
<b>Income Statement</b> (Page 4)					
5. Total revenues (Line 8) .....	3,161,870,425	3,165,924,323	3,059,417,446	2,917,428,638	2,890,867,898
6. Total medical and hospital expenses (Line 18) .....	2,799,374,283	2,843,999,883	2,694,989,917	2,516,299,296	2,576,445,704
7. Claims adjustment expenses (Line 20) .....	144,404,857	128,148,542	118,751,825	116,317,831	97,283,480
8. Total administrative expenses (Line 21) .....	253,957,314	241,650,034	230,971,163	224,013,271	218,271,245
9. Net underwriting gain (loss) (Line 24) .....	(35,866,029)	(47,874,136)	14,704,541	60,798,240	(1,132,531)
10. Net investment gain (loss) (Line 27) .....	33,968,662	38,099,010	38,024,679	41,648,563	44,452,897
11. Total other income (Lines 28 plus 29) .....	340,974	(1,577,913)	35,141	1,248,252	496,606
12. Net income or (loss) (Line 32) .....	8,982,666	(7,516,480)	53,553,789	86,731,549	44,801,453
<b>Cash Flow</b> (Page 6)					
13. Net cash from operations (Line 11) .....	(8,391,991)	(76,977,361)	(15,585,238)	121,713,696	31,131,605
<b>Risk-Based Capital Analysis</b>					
14. Total adjusted capital .....	934,751,475	941,070,954	963,581,310	969,499,374	761,458,437
15. Authorized control level risk-based capital .....	100,267,875	102,148,688	96,518,715	88,316,466	84,463,139
<b>Enrollment</b> (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7) .....	728,464	803,048	815,218	796,147	861,753
17. Total members months (Column 6, Line 7) .....	8,972,558	9,754,627	9,917,712	9,736,298	10,297,022
<b>Operating Percentage</b> (Page 4) (Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5) .....	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19) .....	89.1	90.3	88.4	86.7	89.6
20. Cost containment expenses .....	2.1	1.6	1.1	1.2	0.6
21. Other claims adjustment expenses .....	2.5	2.5	2.8	2.8	2.7
22. Total underwriting deductions (Line 23) .....	101.8	102.0	99.9	98.4	100.5
23. Total underwriting gain (loss) (Line 24) .....	(1.1)	(1.5)	0.5	2.1	0.0
<b>Unpaid Claims Analysis</b> (U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5) .....	252,845,378	312,412,095	261,476,380	237,059,016	244,125,662
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)] .....	267,054,570	288,462,975	257,017,677	252,990,781	271,596,789
<b>Investments In Parent, Subsidiaries and Affiliates</b>					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1) .....	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1) .....	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1) .....	0	0	0	0	205,252,996
29. Affiliated short-term investments (subtotal included in Schedule DA Verification, Col. 5, Line 10) .....	0	0	0	0	0
30. Affiliated mortgage loans on real estate .....	0	0	0	0	0
31. All other affiliated .....	435,518,247	401,455,368	399,764,736	361,123,121	0
32. Total of above Lines 26 to 31 .....	435,518,247	401,455,368	399,764,736	361,123,121	205,252,996
33. Total investment in parent included in Lines 26 to 31 above.	0	0	0	0	0

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors? ..... Yes [        ] No [        ]

If no, please explain: .....

SCHEDULE T PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories										
		1	Direct Business Only							
States, etc.		Active Status	2 Accident & Health Premiums	3 Medicare Title XVIII	4 Medicaid Title XIX	5 Federal Employees Health Benefits Plan Premiums	6 Life & Annuity Premiums & Other Considerations	7 Property/ Casualty Premiums	8 Total Columns 2 Through 7	9 Deposit-Type Contracts
1.	Alabama .....	AL	N	0	0	0	0	0	0	0
2.	Alaska .....	AK	N	0	0	0	0	0	0	0
3.	Arizona .....	AZ	N	0	0	0	0	0	0	0
4.	Arkansas .....	AR	N	0	0	0	0	0	0	0
5.	California .....	CA	N	0	0	0	0	0	0	0
6.	Colorado .....	CO	N	0	0	0	0	0	0	0
7.	Connecticut .....	CT	N	0	0	0	0	0	0	0
8.	Delaware .....	DE	N	0	0	0	0	0	0	0
9.	District of Columbia .....	DC	L	478,127,739	0	358,376,004	0	0	836,503,743	0
10.	Florida .....	FL	N	0	0	0	0	0	0	0
11.	Georgia .....	GA	N	0	0	0	0	0	0	0
12.	Hawaii .....	HI	N	0	0	0	0	0	0	0
13.	Idaho .....	ID	N	0	0	0	0	0	0	0
14.	Illinois .....	IL	N	0	0	0	0	0	0	0
15.	Indiana .....	IN	N	0	0	0	0	0	0	0
16.	Iowa .....	IA	N	0	0	0	0	0	0	0
17.	Kansas .....	KS	N	0	0	0	0	0	0	0
18.	Kentucky .....	KY	N	0	0	0	0	0	0	0
19.	Louisiana .....	LA	N	0	0	0	0	0	0	0
20.	Maine .....	ME	N	0	0	0	0	0	0	0
21.	Maryland .....	MD	L	527,478,131	0	850,523,716	0	0	1,378,001,847	0
22.	Massachusetts .....	MA	N	0	0	0	0	0	0	0
23.	Michigan .....	MI	N	0	0	0	0	0	0	0
24.	Minnesota .....	MN	N	0	0	0	0	0	0	0
25.	Mississippi .....	MS	N	0	0	0	0	0	0	0
26.	Missouri .....	MO	N	0	0	0	0	0	0	0
27.	Montana .....	MT	N	0	0	0	0	0	0	0
28.	Nebraska .....	NE	N	0	0	0	0	0	0	0
29.	Nevada .....	NV	N	0	0	0	0	0	0	0
30.	New Hampshire .....	NH	N	0	0	0	0	0	0	0
31.	New Jersey .....	NJ	N	0	0	0	0	0	0	0
32.	New Mexico .....	NM	N	0	0	0	0	0	0	0
33.	New York .....	NY	N	0	0	0	0	0	0	0
34.	North Carolina .....	NC	N	0	0	0	0	0	0	0
35.	North Dakota .....	ND	N	0	0	0	0	0	0	0
36.	Ohio .....	OH	N	0	0	0	0	0	0	0
37.	Oklahoma .....	OK	N	0	0	0	0	0	0	0
38.	Oregon .....	OR	N	0	0	0	0	0	0	0
39.	Pennsylvania .....	PA	N	0	0	0	0	0	0	0
40.	Rhode Island .....	RI	N	0	0	0	0	0	0	0
41.	South Carolina .....	SC	N	0	0	0	0	0	0	0
42.	South Dakota .....	SD	N	0	0	0	0	0	0	0
43.	Tennessee .....	TN	N	0	0	0	0	0	0	0
44.	Texas .....	TX	N	0	0	0	0	0	0	0
45.	Utah .....	UT	N	0	0	0	0	0	0	0
46.	Vermont .....	VT	N	0	0	0	0	0	0	0
47.	Virginia .....	VA	L	486,542,489	0	551,304,550	0	0	1,037,847,039	0
48.	Washington .....	WA	N	0	0	0	0	0	0	0
49.	West Virginia .....	WV	N	0	0	0	0	0	0	0
50.	Wisconsin .....	WI	N	0	0	0	0	0	0	0
51.	Wyoming .....	WY	N	0	0	0	0	0	0	0
52.	American Samoa .....	AS	N	0	0	0	0	0	0	0
53.	Guam .....	GU	N	0	0	0	0	0	0	0
54.	Puerto Rico .....	PR	N	0	0	0	0	0	0	0
55.	U.S. Virgin Islands .....	VI	N	0	0	0	0	0	0	0
56.	Northern Mariana Islands .....	MP	N	0	0	0	0	0	0	0
57.	Canada .....	CAN	N	0	0	0	0	0	0	0
58.	Aggregate other alien .....	OT	XXX	0	0	0	0	0	0	0
59.	Subtotal .....	XXX	1,492,148,359	0	0	1,760,204,270	0	0	3,252,352,629	0
60.	Reporting entity contributions for Employee Benefit Plans .....	XXX	0	0	0	0	0	0	0	0
61.	Total (Direct Business) .....	(a) 3	1,492,148,359	0	0	1,760,204,270	0	0	3,252,352,629	0
DETAILS OF WRITE-INS										
58001.	.....	XXX								
58002.	.....	XXX								
58003.	.....	XXX								
58998.	Summary of remaining write-ins for Line 58 from overflow page .....	XXX	0	0	0	0	0	0	0	0
58999.	Totals (Lines 58001 through 58003 plus 58998)(Line 58 above) .....	XXX	0	0	0	0	0	0	0	0

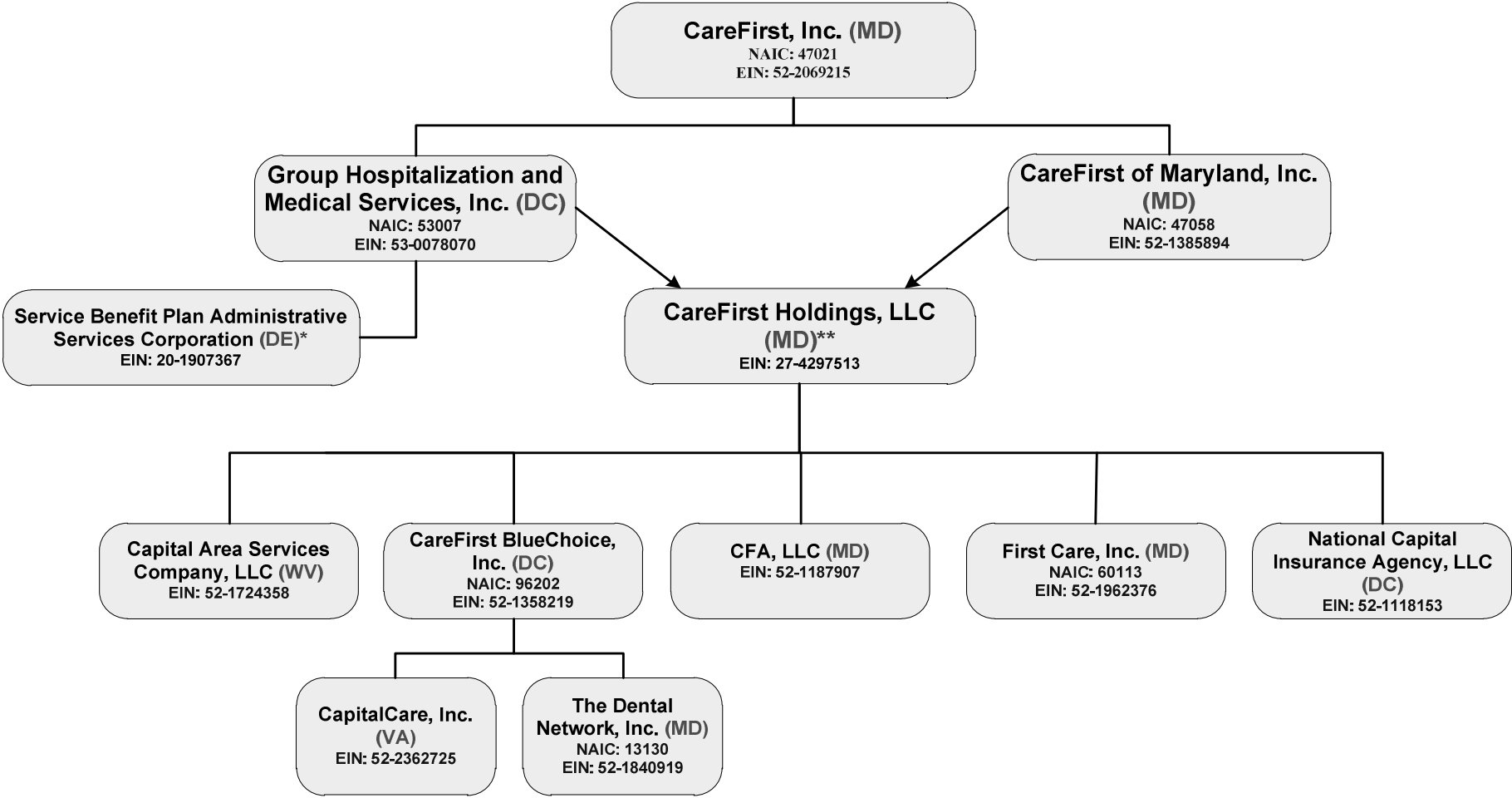
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc.

Enrollment and billing systems capture and report premiums by group situs except for Federal Employees Health Benefits Program (FEHBP). FEHBP premiums from members residing in the United States are reported based on the members' residence whereas premiums from overseas members are reported in D.C.

(a) Insert the number of L responses except for Canada and Other Alien.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP  
PART 1 - ORGANIZATIONAL CHART



\*Service Benefit Plan Administrative Services Corporation is owned 90% by Group Hospitalization and Medical Services, Inc. and 10% by the Blue Cross and Blue Shield Association.

\*\*CareFirst Holdings, LLC is owned 50.001% by CareFirst of Maryland, Inc. and 49.999% by Group Hospitalization and Medical Services, Inc.

OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Underwriting and Investment Exhibit Part 3 Line 25

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
2504. Miscellaneous expenses reimbursement .....	(63,076)	(7,922,903)	(788,838)	0	(8,774,817)
2505. Interest claims expense .....	0	495,127	0	0	495,127
2506. Network Access Reimbursement - PAR .....	0	(9,729,914)	0	0	(9,729,914)
2507. Direct Reimbursements .....	0	(4,825,790)	0	0	(4,825,790)
2508. Miscellaneous expense .....	(269,723)	68,945	(1,825,666)	0	(2,026,444)
2509. Management fee and Investment expense .....	19,612	52,647	69,140	0	141,399
2510. Management Transfer Pricing - CFBC .....	(1,202,231)	(2,288,628)	(5,442,872)	0	(8,933,731)
2511. Management Transfer Pricing - CASCI .....	496,833	1,397,366	1,772,466	0	3,666,665
2512. Net Cede to CFMI .....	(2,780,985)	(7,465,236)	(21,695,952)	0	(31,942,173)
2513. Assumed from FirstCare .....	64,499	783,276	657,080	0	1,504,855
2597. Summary of remaining write-ins for Line 25 from overflow page	(3,735,071)	(29,435,110)	(27,254,642)	0	(60,424,823)

ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

Analysis of Operations By Lines of Business .....	7
Assets .....	2
Cash Flow .....	6
Exhibit 1 - Enrollment By Product Type for Health Business Only .....	17
Exhibit 2 - Accident and Health Premiums Due and Unpaid .....	18
Exhibit 3 - Health Care Receivables .....	19
Exhibit 3A - Analysis of Health Care Receivables Collected and Accrued .....	20
Exhibit 4 - Claims Unpaid and Incentive Pool, Withhold and Bonus .....	21
Exhibit 5 - Amounts Due From Parent, Subsidiaries and Affiliates .....	22
Exhibit 6 - Amounts Due To Parent, Subsidiaries and Affiliates .....	23
Exhibit 7 - Part 1 - Summary of Transactions With Providers .....	24
Exhibit 7 - Part 2 - Summary of Transactions With Intermediaries .....	24
Exhibit 8 - Furniture, Equipment and Supplies Owned .....	25
Exhibit of Capital Gains (Losses) .....	15
Exhibit of Net Investment Income .....	15
Exhibit of Nonadmitted Assets .....	16
Exhibit of Premiums, Enrollment and Utilization (State Page) .....	30
Five-Year Historical Data .....	29
General Interrogatories .....	27
Jurat Page .....	1
Liabilities, Capital and Surplus .....	3
Notes To Financial Statements .....	26
Overflow Page For Write-ins .....	44
Schedule A - Part 1 .....	E01
Schedule A - Part 2 .....	E02
Schedule A - Part 3 .....	E03
Schedule A - Verification Between Years .....	SI02
Schedule B - Part 1 .....	E04
Schedule B - Part 2 .....	E05
Schedule B - Part 3 .....	E06
Schedule B - Verification Between Years .....	SI02
Schedule BA - Part 1 .....	E07
Schedule BA - Part 2 .....	E08
Schedule BA - Part 3 .....	E09
Schedule BA - Verification Between Years .....	SI03
Schedule D - Part 1 .....	E10
Schedule D - Part 1A - Section 1 .....	SI05
Schedule D - Part 1A - Section 2 .....	SI08
Schedule D - Part 2 - Section 1 .....	E11
Schedule D - Part 2 - Section 2 .....	E12
Schedule D - Part 3 .....	E13
Schedule D - Part 4 .....	E14
Schedule D - Part 5 .....	E15
Schedule D - Part 6 - Section 1 .....	E16
Schedule D - Part 6 - Section 2 .....	E16
Schedule D - Summary By Country .....	SI04
Schedule D - Verification Between Years .....	SI03
Schedule DA - Part 1 .....	E17
Schedule DA - Verification Between Years .....	SI10
Schedule DB - Part A - Section 1 .....	E18
Schedule DB - Part A - Section 2 .....	E19
Schedule DB - Part A - Verification Between Years .....	SI11
Schedule DB - Part B - Section 1 .....	E20
Schedule DB - Part B - Section 2 .....	E21
Schedule DB - Part B - Verification Between Years .....	SI11
Schedule DB - Part C - Section 1 .....	SI12
Schedule DB - Part C - Section 2 .....	SI13
Schedule DB - Part D - Section 1 .....	E22
Schedule DB - Part D - Section 2 .....	E23
Schedule DB - Verification .....	SI14
Schedule DL - Part 1 .....	E24
Schedule DL - Part 2 .....	E25
Schedule E - Part 1 - Cash .....	E26
Schedule E - Part 2 - Cash Equivalents .....	E27
Schedule E - Part 3 - Special Deposits .....	E28
Schedule E - Verification Between Years .....	SI15

ANNUAL STATEMENT BLANK (Continued)

Schedule S - Part 1 - Section 2 .....	31
Schedule S - Part 2 .....	32
Schedule S - Part 3 - Section 2 .....	33
Schedule S - Part 4 .....	34
Schedule S - Part 5 .....	35
Schedule S - Part 6.....	36
Schedule S - Part 7.....	37
Schedule T - Part 2 - Interstate Compact .....	39
Schedule T - Premiums and Other Considerations .....	38
Schedule Y - Information Concerning Activities of Insurer Members of a Holding Company Group .....	40
Schedule Y - Part 1A - Detail of Insurance Holding Company System .....	41
Schedule Y - Part 2 - Summary of Insurer's Transactions With Any Affiliates .....	42
Statement of Revenue and Expenses .....	4
Summary Investment Schedule .....	SI01
Supplemental Exhibits and Schedules Interrogatories .....	43
Underwriting and Investment Exhibit - Part 1 .....	8
Underwriting and Investment Exhibit - Part 2 .....	9
Underwriting and Investment Exhibit - Part 2A .....	10
Underwriting and Investment Exhibit - Part 2B .....	11
Underwriting and Investment Exhibit - Part 2C .....	12
Underwriting and Investment Exhibit - Part 2D .....	13
Underwriting and Investment Exhibit - Part 3 .....	14